9/14/87 C2710-2

Pensions & Investment Age

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The newspaper of corporate and institutional investing • $4.00 an issue • $80 a year • September 7, 1987

With a value set between $1.5 billion and $2 billion, the employee buy-out of Avis Rent A Car could result in one of the largest leveraged ESOPs on record.

$1.5 billion value put on Avis deal

By Brad Rudin

MORRISTOWN, N.J. — Negotiations leading to Wesray Capital Corp.'s sale of Avis Rent A Car Systems Inc. to employees could result in a transaction valued between $1.5 billion and $2 billion, giving it the potential to be one of the largest leveraged ESOPs on record.

"This is an important signal to investment bankers and the business community at large that this is a legitimate and important way

Continued on page 76

S&P stocks shine; similar issues lag

By Joel Chernoff

BERKELEY, Calif. — Stocks included in the Standard & Poor's 500 stock index have outperformed similar stocks not included in the index by 3.25 percentage points a year since 1980, probably because of the growth of indexation, financial futures and foreign investment, according to an analysis by BARRA, a consulting firm.

What's more, other researchers are pointing to a spectacular difference of 25 to 30 percentage points in returns between S&P and non-S&P stocks in the past 12 months.

Investment experts speculate there are three factors boosting the value of S&P stocks since the beginning of the decade:

- The renewed surge of interest in S&P 500 index funds, starting in early 1980.
- The development of S&P 500 index futures in early 1982, which caused a rise in interest in all S&P 500 stocks because of emerging program trades, including dynamic hedging strategies. This caused a premium to be paid for such stocks.
- The increasing role of foreign investors, particularly the Japanese, in the equity market starting in early 1986. Many foreign investors focus on household names, which are typically S&P 500 stocks.

Pension experts differ on whether the phenomenon will continue.

Since 1980, S&P 500 stocks have outperformed similar stocks not in the index by 3.25 percentage points a year. In the past year alone, the difference has been a spectacular 25 to 30 points.

William Jacques, a partner of Martingale Asset Management, Boston, who came up with the idea for the research with BARRA officials, expects the 3.25-point differential will be sustained.

"My guess is it will continue, with the Japanese being the marginal investors," he said.

But Richard Grinold, BARRA's director of research, believes the trend will level off. He said the trend is "curious and I'd think about it, but I wouldn't plan the rest of my life on it."

The analysis by BARRA compared the returns of stocks in the S&P 500 index with the returns of all stocks in a universe of 1,400 high-capitalization stocks since 1980 and found the 3.25 percentage point margin compounded annually.

BARRA added a dummy variable to its uriverse to single out the S&P stocks. It found that from 1973 through 1979, performance of the S&P and non-S&P portions were virtually identical. But starting in 1980, the S&P portfolio returns dramatically increased relative to the entire universe.

In addition, BARRA demonstrated the size of the stock was not a factor. Smaller-cap stocks in the index also outperformed their non-S&P counterparts.

The index stocks had an alpha — a measure of the return in excess of the market return that is not explained by a portfolio's risk level — of 27 basis points per month for the 7½ years ended

Continued on page 74

Inside:

PEAK PERFORMANCE: Not satisfied with seeking investment heights at their respective jobs with NYNEX and Security Capital Management, Bernd Hilscher, right, and Bob Brewer go to the top of Mount Rainier — Page 32.

CORPORATE FINANCE: Browning-Ferris Industries' move to increase the size of a recent convertible issue to $300 million from $250 million left a few investors with a bad taste in their mouths — Page 23.

Funds move $8.9 billion into cash in 1st quarter

By Jacqueline Dutton

Pension funds liquidated a record $16.7 billion of stock and moved more than half of that amount into cash during the first quarter of 1987, and there are signs the shifts are due to increasing unease with the stock market level among pension fund executives.

According to the Employee Benefit Research Institute's Quarterly Investment Report and the Federal Reserve Board, U.S private pension funds moved $8.9 billion of the receipts from the stock sales into cash equivalents.

The report shows $7.3 billion of the proceeds was moved into other investments — such as real estate and international investments — during the first quarter. In contrast, $1.4 billion in bonds were liquidated during the period.

The massive sale of stocks in the quarter was more than double the nearly $8 billion in stock sales recorded during the first quarter of 1986.

"That's a surprisingly large number, but it's not alarming," said Donald Strazheim, chief economist at Merrill Lynch Research & Economics, New York. Mr. Strazheim said he believes the liquidation is a glitch; pension funds moved out of stocks to capture large profits in the first quarter.

"In retrospect, it was a bad time to sell stocks," he said. "But more and more people are looking at the time when the turn in the market will come."

During the first quarter of 1987, the Standard & Poor's 500 stock index returned 21.4%. The index returned 5% during the second quarter.

One of the funds cashing in on the big gains was the $3 billion General Board of Pensions of the United Methodist Church, Evanston, Ill., which sold $50 million in stocks in March, a sum that James Parker, general secretary, said is insignificant.

Mr. Parker said because of the run-up in the market, the fund took some profits, but didn't liquidate so much of its holdings as to lose ground should the market gain.

Man-Bing Sze, associate director of EBRI, a Washington-based research organization, said the huge shift out of equities and into cash comes at the tail end of a two-year trend.

"Since 1985, we have more or less seen a net withdrawal from stocks and bonds," Mr. Sze said. "A lot of it is being shifted into cash, although some of those funds may have been parked in other assets."

The EBRI study shows the fourth quarter of 1984 was the last in which there was a positive flow of funds into equities by private pension funds. A net total of $9.4 billion was injected into the stock market in that three-month period. The last quarter in which the net cash flow into bonds was positive was the first quarter of 1985, with a net total investment of $900 million.

Although many of the money managers and pension plan executives interviewed expressed surprise at the EBRI and Federal Reserve Board numbers — with some dismissing them as "suspicious" — there is an indication pension plan executives and their

Continued on page 77

Equity group is realigned at GTE Investment

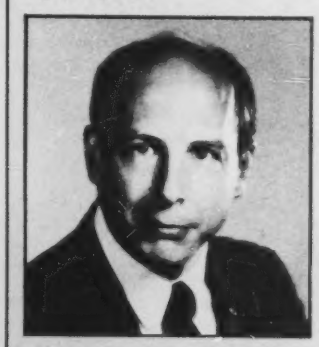
By Marlene Givant

STAMFORD, Conn. — GTE Investment Management Corp., which runs the $10 billion GTE Corp. pension fund, has realigned its equity management structure, removing the division of responsibility for traditional and non-traditional external managers and broadening internal equity management responsibilities.

The change will give several individuals more varied duties.

"I think this organization will be more directly responsive to challenges facing us in the future," said Dave Seidel, vice president-pension fund management. "It provides job enrichment and better career paths for the individuals involved."

The move follows the resignation of Greg Densmore, director of investment evaluation, who joined First Manhattan Capital Management, New York (*Pensions & Investment Age*, July 13).



Dave Seidel says the changes will help the GTE fund cope with challenges.

The former structure consisted of two groups, one headed by Mr. Densmore and one run by Patricia C. Doumas, formerly director of portfolio dynamics.

Mr. Densmore and three analysts were in charge of external managers, with Jayne O. Mansfield as manager of non-traditional investments.

Ms. Doumas and her staff were responsible for the internal management of less than 10% of the fund's $7 billion in equities.

In the new setup, Ms. Doumas has been named director of equities-value and real, and Ms. Mansfield has been named director of equities-growth and international.

A new position — senior analyst-international — has been created, but not yet filled.

Ms. Doumas and her staff will run internal equities using a value approach and will supervise external value equity managers and managers of real estate, oil and gas and timber equity investments.

Ms. Mansfield and her staff will internally manage growth stocks and oversee outside managers of growth stocks, international stocks, leveraged buy-outs and venture capital.

Mr. Seidel still will head both equities and non-traditional investments.

Wayne C. Hofmann, formerly the internal equities trader, who had reported to Ms. Doumas, has been named manager of equity trading and also will report to Mr. Seidel. Mr. Hofmann will retain his internal trading responsibilities, but also will start monitoring how the fund's external managers trade.

NISF median manager hits 28.6% for 3 years

Equity managers in the National Investment Sponsor Federation performance universe had a median compound annual total return of 28.6% for the three years ended June 30, compared with 30.6% for the Standard & Poor's 500 stock index.

While the managers in the NISF universe underperformed the index, they outperformed the median of the Pensions & Investments' Performance Evaluation Report universe of bank and insurance company-managed equity funds, which was up 27.2% for the three years.

The median fixed-income fund in the NISF universe was up 18.2%, compounded annually, for the three years, compared with 18% for the Salomon Brothers Broad Investment Grade index and 17.6% for the Shearson Lehman Government/Corporate bond index. The PIPER fixed-income median for the three years was 16.3%.

The median NISF equity fund was up 3.5% in the first quarter and 24.9% in the first half, compared with 5% and 27.5% respectively for the S&P 500 index.

While the median manager in the NISF universe underperformed the S&P 500 for the shorter periods, it again outperformed the PIPER median equity manager, which returned 3.2% and 22.8% respectively for the quarter and the half.

The NISF equity returns are derived from 513 equity portfolios managed by 198 money managers for 120 pension funds representing $120 billion in assets.

The participating pension funds belong to such regional groups as the Pension Group East, the Los Angeles Pension Group, Pension Group West, Chicago Pension Forum and Pension 21 Club, all of which are NISF members.

The median fixed-income return in the NISF universe of 227 portfolios was −1.6% for the quarter, equal to the Salomon Brothers index and better than the −1.9% return of the Shearson Lehman index.

For the half, the NISF median manager had a zero return while the Salomon Brothers BIC index was −0.3% and the Shearson Lehman index was −0.4%.

The median fixed-income fund in the PIPER universe was down 1.6% for the latest quarter and 0.1% for the six months.

The NISF also reported on 75 balanced funds invested by 53 managers. The median return among those funds for the quarter was 2% and for the first half, 15.8%. ■

Comings and goings affect 3 public funds

By Joel Chernoff and Trudy Ring

One large public pension fund lost a top executive while two others filled high-ranking spots.

● Curtis O. Townsend, deputy director of finance and pension assets manager for the $1.6 billion Philadelphia Municipal Pension Fund, is leaving the fund to join Siebel Capital Management Inc.'s New York office as a senior vice president. His last official day with the Philadelphia fund was Aug. 28, but he is staying on to help retirement board members select a successor and handle other business. He will join Siebel Sept. 14.

● In Madison, Wis., Marshall Burkes has been named executive director of the $18 billion Wisconsin Investment Board, replacing Kenneth E. Codlin, who resigned in March. Mr. Burkes, who expects to start his duties this month, has been a Washington-based consultant on international financial management for the past two years.

● Norman G. Benedict has been named deputy executive director of investments for the $7 billion Public Employees' Retirement Association of Colorado, Denver. He has been acting in that capacity on an interim basis since Norman Jaskol resigned the post in February to join Lomas Capital Management Co., Dallas.

Curtis Townsend is leaving the Philadelphia Municipal fund for Siebel Capital Management.

Mr. Townsend, who has spent almost four years at the Philadelphia fund, will market to public pension funds in the United States and abroad, and will help set the firm's investment strategy.

He said the move to Larkspur, Calif.-based Siebel will allow him to "expand my craft" and satisfy financial needs of his family.

Prior to joining Philadelphia, he was deputy treasurer for the state of Michigan's bureau of finance, where he oversaw the state's internally managed pension fund, which had $8.2 billion in assets when he left.

Since Mr. Townsend joined the Philadelphia fund in January 1984, it has grown tremendously and revamped its allocation strategy.

During the period, the assets rose 137%, from $675 million. In the same time, exposure to equities soared to 49.5% from 6%.

"What I tried to do was reduce our exposure" to bonds, and "cherry-pick" stocks in the uneven 1984 market, he explained.

Legal limitations restrict the fund to being 50% invested in stocks, but fund officials are seeking to boost that ceiling to at least 60%, Mr. Townsend said.

Bond investments have shrunk to 46% of the portfolio from 79% in January 1984. The fund also has added real estate and venture capital components; with cash and miscellaneous investments, they comprise the remaining 4.5% of fund assets.

An initial foray into international stocks also is "quite imminent," Mr. Townsend said. He is recommending allocating 7% to 10% of plan assets to the area during the next few years, divided among at least three types of managers: an index manager, a

Continued on page 78

7 leaving Rothschild Int'l

By Marlene Givant

LONDON — The chief investment officer and six of 18 members of the international equity investment team of N.M. Rothschild International Asset Management Ltd. have resigned, reportedly to set up their own shop.

In response to the departures, Rothschild International, which manages a total of $1.5 billion (about $700 million in equities) for U.S. tax-exempt clients, has consolidated investment decision-making with the fixed-income and currency group and international natural resource mutual fund management team of Rothschild Asset Management Inc., New York.

Richard Katz, head of Rothschild Asset Management's fixed-income and currency group, has been named chief executive officer of Rothschild International and will direct the merged investment management operation, which will run more than $7 billion. Rothschild Asset Management Holdings, the holding company for both firms, has about $17 billion globally under management. RAM Holdings had been planning such a consolidation for some time, although Rothschild International will continue to operate separately in line with Securities and Exchange Commission guidelines, according to Nick McAndrew, managing director of Rothschild Asset Management, London, which manages mainly U.K. money.

Those resigning include three senior officials — James Heyworth-Dunne, chief investment officer; Richard Chandler, director and senior portfolio manager covering the United States; and Andrew Baker, assistant director and portfolio manager-U.S.

Luke Nunneley, portfolio manager-Europe; Florian von Hirsch, portfolio manager-Europe; Piers Bertlin, portfolio manager-Japan; and Richard Bronk, portfolio manager-Europe, also gave notice. All had been with the firm for at least two years except for Mr. Bronk, who worked at Roths-

Continued on page 77

Highlights

CASH MANAGEMENT

New rules may cause wire transfer problems 67
Diamond Shamrock switches 2 banks 67
Scudder matrix debuts 67

CORPORATE FINANCE

Buying binge endangers P&G rating 23
Bond issue caps sale/leaseback 23
Rules and regs 24

MASTER TRUST

Pension execs say fees are fair 35
The cost of competing 35
Profiles 38

PIPER

Oil price hike heats up special equities 6
Weak-currency markets a strong play 6

REAL ESTATE

$3 billion invested in 'Fannie Majors' 15
5 plans back mail mortgage 15
Specialty investors post highest returns 15
PIPER real estate fund returns 18

GENERAL NEWS

Overseas plans growing 4
Merger would put bank in top 80 6
Teachers fund shifts assets 8

DEPARTMENTS

Datebook 58
International update 56
Late news 78
Letters 12
Market beat 33
Money movers 72
Opinion 12
People 54
Washington notebook 30

Vol. 15, No. 19 — Pensions & Investment Age (ISSN 0273-5466) is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1987.

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Equity ■ Balanced ■ Fixed Portfolios

Buck sets merger with European firm

By Brad Rudin

NEW YORK — Buck Consultants Inc., New York, has announced a merger with Michael Dunhill International Consulting Actuaries, Brussels, Belgium.

The merger of Buck, which employs more than 900 people, and Michael Dunhill, which employs 30, gives Buck a European presence in the actuarial arena at a time when its major U.S. competitors have offices in Continental Europe.

"This is an historic and happy occasion for Buck," said Mircea Manicatide, assistant to the company's president.

Terms of the transaction were not disclosed.

The European operation, to be known as Buck Consultants S.A., is to be headed by Michael Dunhill. It will have offices in Antwerp, Belgium; Brussels; and Paris. William E. Giegerich remains president and chief executive officer of Buck Consultants.

The merger adds to the list of financial services firms that have made trans-Atlantic mergers.

The internationalization of business calls for a presence in Europe, Mr. Manicatide said. "You want to be on the spot."

Establishing Buck offices in Europe without merging with a local firm had been considered, Mr. Manicatide said. The merger "saves us the very hard work of starting from scratch," he said.

The two firms fit well because some of Dunhill's clients in Europe are U.S. companies that require actuarial services for their domestic operations, Mr. Manicatide said.

Other overseas merger opportunities are being considered by Buck, although another transaction is not imminent, he said.

Buck's entrance onto the international playing field did not cause great concern among its competitors.

"Most of our competitors — and now Buck — have found it the best way of doing business," said H. Richard Souders, a vice president at Johnson & Higgins, New York. "We find it important to have representatives on the local scene. We get a better response by having a local presence."

"We have found that the major constraint in the consulting business is finding good people. That is the limitation, rather than another good firm in the market," said Donald Boden, deputy chairman of William M. Mercer Fraser Ltd., London, the European subsidiary of William M. Mercer Inc.

Buck, with 1986 revenue of $79 million, stands as the sixth-ranked benefit consulting firm in the United States, according to Business Insurance magazine.

Benefit consulting revenue climbed 11.3% during 1986 from $71 million, the magazine reported in its Dec. 22 issue. ■

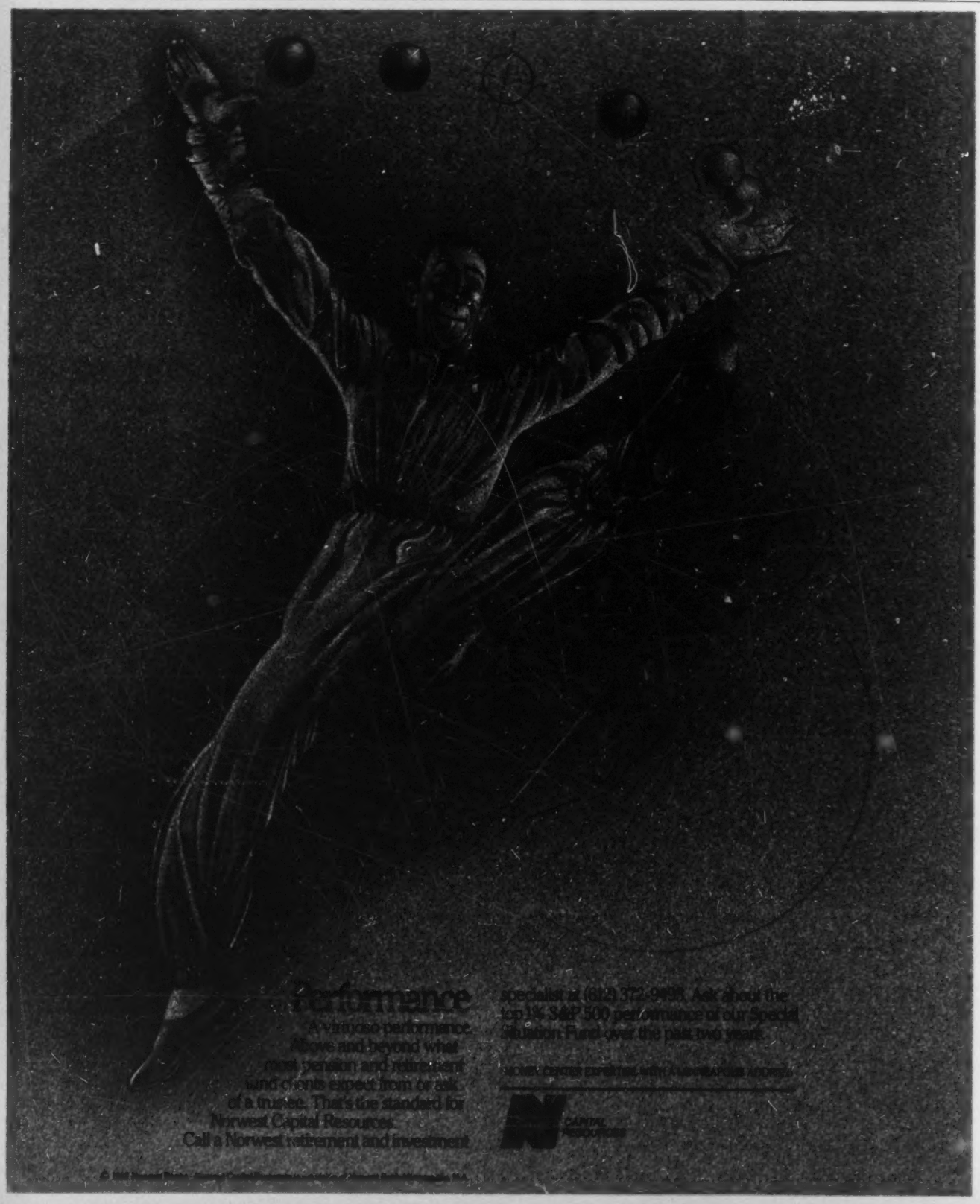
Corrections & clarifications

• An Aug. 10 story about property writedowns made by the RREEF Funds might have given the wrong impression about remarks made by **William J. Grady,** vice president and portfolio manager for **CIGNA Investment Inc.** Mr. Grady's comments were addressed to the general process of appraising properties; he did not comment specifically about RREEF's actions.

• In the Aug. 24 PIPER equity rankings, **Meridian Asset Management,** Valley Forge, Pa., was inadvertently listed by its former name, Central Penn, Pa.

• The Aug. 24 story on the **Pitcairn family** of Philadelphia incorrectly listed the titles of John Turbidy and Dirk Junge. Mr. Turbidy is president and chief executive officer of Pitcairn Financial Services. Mr. Junge is executive vice president.

The cash management survey will be published in the Nov. 2 issue of *Pensions & Investment Age.*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Opinion

Pension execs want results

DURING THE FIVE YEARS through June, assets invested in the stock market grew at a 27.9% average compound annual rate. During the same period, the amount of pension fund equity assets invested through index funds grew at a 61% compound annual rate.

The amount of equity assets in index funds with investment management firms totaled $109 billion at midyear, with perhaps another $20 billion managed internally for a total of almost $130 billion.

This amounts to about 11% of pension fund equity assets. No longer can indexing be considered a fad.

Pension executives deciding to index their assets have been reacting to 10 years of poor active manager performance heightened by high active management fees at a time when corporate cost-cutting is in vogue.

In the past 10 years, only about 30% of active managers have beaten the Standard & Poor's 500 stock index, and in the past five years, only about 20%.

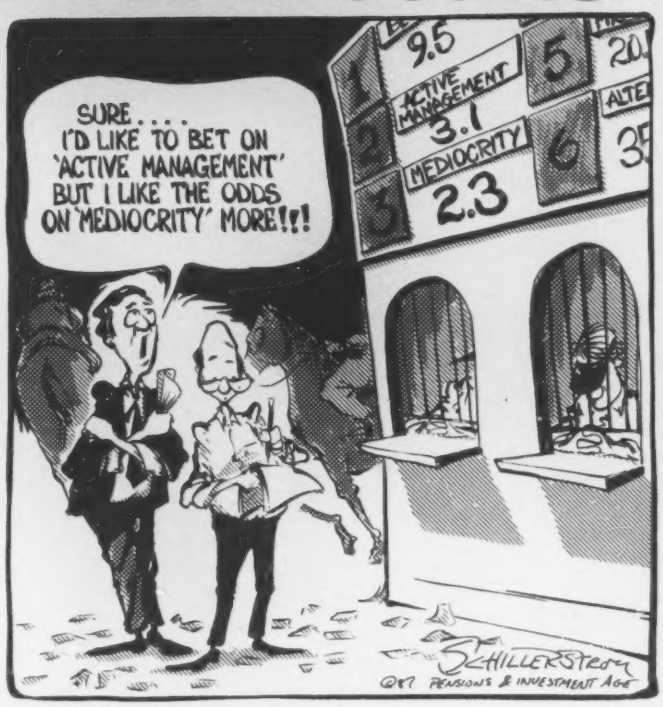
Many pension executives have decided that if they have less than one chance in three of selecting a manager who can beat the S&P 500, the expected incremental return from doing so is not sufficient to make the effort worthwhile, either for their fund, or for themselves professionally.

If these pension executives have "settled for mediocrity" as some charged in the early days of indexing, then mediocrity has paid off.

The trend to indexing will continue at a strong pace until there is a prolonged bear market, or until active managers change their ways.

A recent Trust Universe Comparison Service report showed active managers do provide incremental returns over the market in the stock selections and in their sector weightings, but give it all back through their cash positions and their trading costs and fees.

Too often, money managers who are hired to be aggressive and fully invested allow cash to build up in their portfolios,



either intentionally or unintentionally.

Often they are trying to hedge against losing their accounts by using a cash position to minimize losses if a bear market should suddenly develop.

Active managers are supposed to earn their extra fees by taking a different risk profile from the market. Offsetting that different profile by a high-cash position is trying to gain the high fees without really earning them.

At least, that's they way some pension executives have interpreted it, and they're not willing to go along any more.

Master custody growth questioned

FOR THE SPECIAL REPORT on master trusts in this issue, *Pensions & Investment Age* asked the largest master trust banks how much they had in master trust and master custodial assets.

Master trusts were defined as providing trust, unitized accounting and reporting services, performance measurement and ancillary services to companies that have one pension plan and several managers, or several pension plans and several managers.

Master custody arrangements were defined as providing all the services of a master trust agreement, but without legal trusteeship, to such entities as public pension funds, endowments and foundations.

The master trust asset figures provided by the banks, $1.3 trillion, accounted for about 83% of all pension and profit-sharing assets, and seems to agree with estimates the master trust business is virtually saturated. The remaining assets are probably held by funds too small to have master trustees.

However, the total of master custodial assets claimed by the banks appears larger than it ought to be. With public funds totaling about $548 billion, and endowment and foundation assets totaling an additional $100 billion, the total master custody universe seems likely to total no more than $700 billion.

Thus the banks seem to have 82% of that market covered, although most experts say it is a far less mature market than the master trust assets.

Either the master custody universe is larger than *P&I Age* estimates, or it is more mature than the industry believes.

Letters to the editor

Information updated

To the Editor: I'd like to take this opportunity to update information The New England provided in the May 25 directory on our newest investment affiliate, Back Bay Advisors Inc.

Back Bay Advisors was formed in 1986 to capitalize on existing fixed-income management capabilities at The New England and to expand its marketing activities in the institutional marketplace.

Back Bay Advisors is a risk-control fixed-income manager with capabilities in intermediate bonds, high-yield bonds, contingent immunization, indexing and futures and options.

In addition to managing all the publicly traded securities in the corporate general account, Back Bay manages fixed-income separate accounts as well as non-insurance related assets, including more than $1.2 billion in the form of fixed-income mutual funds. Total assets under management top $3.7 billion.

Charles T. Wallis, is president and chief executive officer. Clients also may contact Antwine Jefferson III, vice president and national sales director of the institutional investment group.

Kathleen R. Sammis
Vice president
The New England
Burlington, Mass.

Morley corrects data

To the Editor: We feel it is important to inform *Pensions & Investment Age*'s readers of several errors in the Aug. 24 story, "Active GIC specialists growing despite doubts."

First, Morley Capital Management was listed as having $990 million under management. The correct amount really is $1.6 billion under discretionary management plus about $550 million in non-discretionary management.

Secondly, our president, Hal Morley, actually pioneered the use of GICs in discretionary accounts in 1974 while the head of fixed-income management for First Interstate Bank of Oregon.

Thirdly, we began active GIC management in early 1983.

Morley Capital has a staff of 22 highly trained professionals, compared to an industry average of fewer than 10. The article implies it is neither possible nor important to differentiate among approaches to insurance company credit analysis.

We disagree. Credit analysis, like portfolio management, requires a thorough knowledge of the industry, a sophisticated analytical approach, and sufficient staff resources to meet fiduciary responsibilities. It cannot be done out of someone's hip pocket.

J. Thomas Morrow
Executive vice president
Morley Capital Management
Lake Oswego, Ore.

Editor's note: The asset figures and year the firm was registered were obtained from a Morley executive.

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Published every other week by Crain Communicatons, Inc. Offices at 220 E. 42nd St., New York 10017 (212/210-0100); 740 Rush St., Chicago 60611 (312-649-5200); 814 National Press Bldg., Washington, D.C. 20045 (202/662-7200); 6404 Wilshire Blvd., Los Angeles 90048 (213/651-3710); 1 NorthPark East, Suite 114, 8950 N. Central Expwy., Dallas 75231 (214/692-9848).

$4.00 an issue, $80 a year in the U.S. Add $35 per year for air delivery to Europe and Middle East. Add $10 per year for surface mail to all other foreign countries. Add $30 for air delivery in U.S. and Canada.

WILLIAM STRONG, vp-circulation, JOHN HUFFMAN, fulfillment director. Four weeks notice required for change of address. Address all subscription correspondence to Pensions & Investment Age, 965 Jefferson, Detroit, Mich. 48207 Telex number: 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48012. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Oh. 44691.

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Real Estate

Specialty investors post highest returns

By Steve Hemmerick

Specialty funds that invest in particular property types and small funds with as few as three properties are reporting the highest returns among commingled equity real funds, Pensions & Investments' Performance Evaluation Report shows.

The higher returns of the less diversified funds — both by property type and geographic location — coincide with the move by some investors away from the larger, broadly diversified commingled pools that are regarded to be index funds for real estate.

For the 12 months ended March 31, the report showed Metropolitan Life Insurance Co., New York, Closed End Fund II returned 17.9%, and was the top-performing closed-end fund. It has $77 million in assets and three properties.

The top-performing open-end fund, Citicorp, New York, Real Estate Equity Fund, had a 19.8% return for the same period. The $300 million fund is highly leveraged.

JMB Institutional Realty's Group Trust I, Chicago, with $390 million in assets, had about 60% invested in retail properties, far above the 25% or less usually invested in retail. It returned 16.7% for the year ended March 31.

While some of the small and specialty funds turned in high performance numbers for the past 12 months, one of the largest and most diversified funds, the $4.6 billion Prudential Realty Group, Newark, N.J., PRISA I fund had a 4.6% return, and finished in the ninth decile.

PRISA I had returned 8% for the previous 12-month period.

The PRISA fund includes office, retail and industrial property nationwide, with an emphasis on office, but it has little leverage, development or geographic concentration. PRISA I is often considered a bellwether for real estate.

While lack of appreciation is hurting most commingled fund performance, the high-scoring funds had high appreciation. This raised questions from some managers about how these funds could be scoring so high in today's depressed real estate market.

The appreciation for the Metropolitan Closed End II fund was about 9.5%, just slightly more than 50% of the fund's reported total return number, but the appreciation figure used in calculating the total return number was carried forward from the previous three months.

"Appreciation is not recalculated except at year end. Whatever the previous year's appreciation had been, calendar year 1986, plus income" is used as the total return number, said Bruce Kosakowski, national director for Metropolitan Realty.

"Until Dec. 31, 1987, they will just carry the old appreciation number because it won't be recalculated. We do not recalculate either gain or loss until each year's fourth quarter, so in calculating an annualized rate of return, what is done is the last year's appreciation is taken and the trailing four quarters of income," he said.

About whether carrying appreciation figures forward into the next year is unusual, Mr. Kosakowski said, "When we are marketing this, we are dealing with calendar years, that is what we are reflecting to our clients, and in terms of looking at current performance, we would just stress looking at the first quarter's income.

He said using an annualized return with an appreciation number that lags "is misleading to an extent because it is a snapshot of appreciation that goes back to December 1986, so we are not stressing that in terms of our closed-end funds." Met Life uses current income but appreciation that lags, in this case by a quarter but, at other times of the year, by as much as three quarters.

Many closed-end fund managers, he said, don't appraise properties every quarter "because, in effect, the closed-end structure neutralizes any appraisals. They are not unit values that you can cash in or cash out of the way you can with an open-end fund."

One or more of the three properties in the Metropolitan fund could have, in effect, more than 12 months appreciation in its total return figure, explained Mr. Kosakowski.

He said a commingled fund can commit to a new property before it is fully leased and, therefore, pay an attractive price. "By the time it came to actually fund the dollars, it (the property) was fully leased, so it was a very attractive increase in value (appreciation) as the property went from a speculative construction project to a

Continued on page 18

$3 billion invested in multiple lender securities market

By Marcia Parker

WASHINGTON — The Federal National Mortgage Association's newest mortgage-backed securities product, multiple lender mortgage-backed securities pools, is off to a good start.

The first pools were introduced in January. The latest $315 million issue by Fannie Mae in July pushed the fledgling market past the $3 billion mark in eight months.

Dubbed Fannie Majors, Fannie Mae devised the relatively simple idea of pooling mortgages from many different lenders, in part to make the market more efficient.

Previously, loans from a single lender backed mortgage-backed securities. In the single-lender pools, lenders had to have a minimum of $1 million in mortgages to participate. In the multiple-lender pools, they need only $250,000 in mortgages.

Fannie Mae issues the securities to mortgage lenders, who either hold them or sell them through Wall Street investment houses.

Investors and securities dealers have been paying higher prices for the larger pools. The larger pools reduce their trading and transaction costs.

Wall Street dealers say the new securities have been well received in the market, and they expect the market to grow significantly in the future.

Investors are attracted to the securities because larger pools are created with greater geographical diversity, reducing the volatility of prepayments and lowering trading costs.

In addition, the seasoning requirement for mortgages means the loans have homogenous features. The mortgages in each pool carry the same coupon; must be long term; must be 25- to 30-year conventional mortgages; must be single family; must be fixed rate; and must be no more than 12 months old on the issue date.

The market for multiple lender mortgage-backed securities pools is large. More than 900 individual pools, totaling $2.5 billion, were originated each month in the fourth quarter of 1986. Those same pools could have resulted in several multiple lender pools, each as large as $400 million to $500 million.

As a result of the multiple lender pools, trading in new mortgages and the securities that back them becomes simplified. Investors then are able to combine large pieces of single pools and reduce the costs of tracking and adjusting for prepayments.

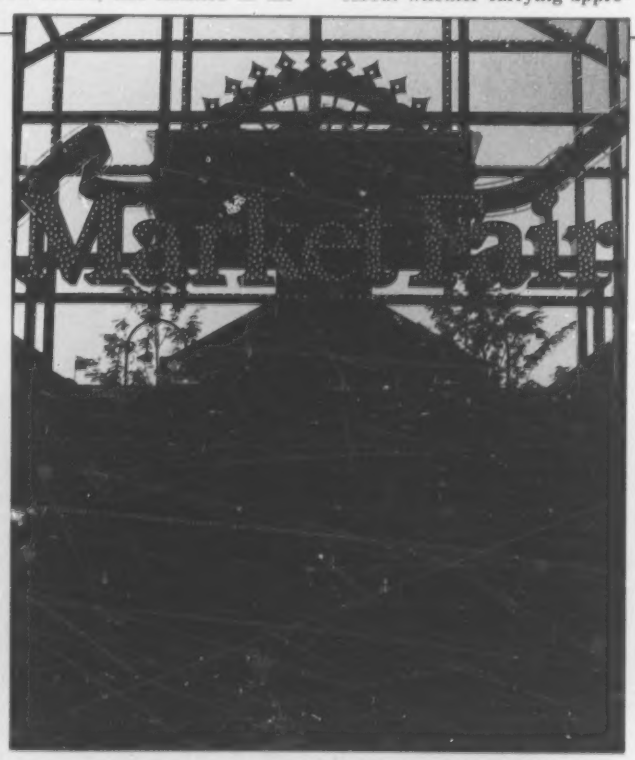
Robert J. Levin, Fannie Mae senior vice president for mortgage-backed securities, said the main difference between single-lender pools and multiple-lender pools is that mortgages are contributed by many different lenders, which makes for larger pool sizes and greater geographical diversity.

In return for providing loans for the pools, the lender gets a mortgage-backed security representing a share of a larger pool. The share is proportionate to the amount of mortgages contributed to the pool.

Lenders who have participated in the program say that it has been relatively painless and there are no new requirements.

A separate commitment is not needed and most lenders can use existing commitments. Lenders don't have to let Fan-

Continued on page 16



MarketFair, a Princeton, N.J., mall geared to upscale shoppers, is the subject of a $41.5 million participating mortgage financed by five pension and endowment funds.

5 plans back mall mortgage

PRINCETON, N.J. — The more than $6 billion U S WEST Inc. pension fund, Englewood, Colo., and the approximately $2 billion Stanford University endowment, Palo Alto, Calif., are among five pension funds and endowments that have committed a $41.5 million to a participating mortgage for a specialty store mall in Princeton, N.J.

The investors are committed subject to the mall meeting leasing and net income objectives, said Joshua M. Brown, managing partner at FS Realty partners, Houston, the investment manager for the deal. He would not disclose those objectives.

He said the mall will consist solely of specialty stores targeted to higher-income shoppers. He expects it to do well because of Princeton's strong growth rate and high income levels.

The 237,000-square-foot Princeton MarketFair, which opened in mid-August, is co-anchored by Cohoes, a Cohoes, N.Y.-based upscale department store, and SuperSports USA, a sporting goods store that represents the first move to the north by Oshman's Sporting Goods Inc., Houston.

The mall was developed by JMB Federated Realty Co., Cincinnati, in a joint venture with The Landis Group, Lawrence, N.J., which had owned the 37 acres on which the mall is built. Representatives from JMB were unavailable for comment.

Larry Owen, a real estate investment officer at Stanford, said the demographics of the Princeton area are "outstanding" for this kind of mall.

One consultant, whose clients weren't involved in the deal, said he likes the concept of an upscale shopping center, and he considers the Princeton area the right location for it. One downside, however, is the need for heavy capital improvements to maintain the mall's trendy appearance, the consultant said.

Heitman cuts staff

CHICAGO — Heitman Financial Ltd., Chicago, trimmed its work force by about 5% after a regular staffing review, confirmed Norman Perlmutter, chairman of the board.

The reduction was "not significant," Mr. Perlmutter said, and was confined mainly to clerical positions in the property management area.

He said the cuts were made to maintain an entrepreneurial atmosphere in the firm, which employs about 400 people.

"Our business is the strongest it has ever been and I want to keep it that way," Mr. Perlmutter said.

"We just go through a regular analysis of our staffing of the departments," he said. "With all the growth we've had lately, you tend to get a little fat." The firm has added about $1 billion in new assets during the past year, he said.

Mr. Perlmutter also said while specific numbers were not immediately available, he would be surprised if the staff cuts reached the 5% level.

"We shifted some people around, too. It wasn't just letting people go," he said.

The firm also recently installed a new computer system that reduced staffing needs. "While you're developing (the computer system), you have to run the operations in tandem — both manually and on computer," he said.

Heitman Financial is the parent company of Heitman Advisory Corp., with $3.99 billion in tax-

Continued on page 16

Mortgage . . .

Continued from page 15
exempt real estate assets under management. Other subsidiaries include Heitman Financial Services Ltd. and Heitman Properties Ltd.

Investors seek niches

BALTIMORE — Look for investors to increasingly turn to specialty real estate funds to boost sagging returns from more broad-based funds, said Robert H. Gidel, president of Alex. Brown Realty Advisors, Baltimore.

This search for niche markets, he said, is the next investment wave, following earlier moves into large commingled funds and individual separate accounts.

The current move into apartment, land and rehabilitation funds is part of this larger movement into funds with narrow investment targets.

Such a movement could signal a fundamental shift among investors to picking and choosing individual properties, rather than strategies.

Pension fund investors began with broadly diversified open-end commingled funds, then moved to closed-end funds and separate accounts that invested in several geographical and property types.

For investors with have good core portfolios, Mr. Gidel sees the present movement toward highly specialized funds as a good idea.

In response, his firm is coming out with a niche fund he wouldn't describe, which will be primarily based in Washington, very near his firm's headquarters in Baltimore. Alex. Brown has also recommended the Oregon Public Employes Retirement System, one of its clients, place $10 million in assets with a retail mall fund, Retail Property Trust, in which J.W. O'Connor, New York, is the general partner.

Developer sets sub

CHICAGO — Murdoch & Coll Inc., a Chicago developer, has formed an investment management subsidiary to manage pension assets, said Todd W. Lillibridge, executive vice president.

The subsidiary will handle separate accounts and might launch a commingled fund. Money under management will be used for acquisitions and developments by Murdoch & Coll. No commitments have been made yet, however.

Mr. Lillibridge said the firm entered the money management business because tax reform has removed much of the privately placed investments in real estate and "made it more important for us to get our arms around pension funds."

Murdoch & Coll has used pension money before, mainly channeled through Trident/Meyer Real Estate Advisors, Anaheim, Calif.

Construction falling

HOUSTON — Construction of office space in the United States is declining, according to a semiannual survey of 2.5 billion square feet of office space by The Office Network, Houston, a real estate services firm.

Of major cities, only Los Angeles has more office construction under way than at the end of last year, said Stephen A. Marmion, president.

Eight U.S. markets have more than 5 million square feet of construction under way, and four cities — Forth Worth, Denver, New Orleans and Jacksonville, Fla. — have no office construction going on in the central business district.

Washington had the most construction, with 18.1 million square feet under way. Los Angeles had 13.8 million square feet; Chicago, 13.3 million square feet; Manhattan, 9.2 million square feet; and London, 8.2 million square feet.

Washington is down 10% from 20.1 million square feet in the second half of 1986.

"U.S. construction is obviously on a downward plane," Mr. Marmion noted.

The survey also showed office vacancy rates increased to 19.3% from 18.6% at the end of 1986.

Mr. Marmion said the vacancy rate "showed only a minor increase," and he predicted another slight increase by the end of the year, with a stabilization in 1988.

Manhattan's 11.3% office vacancy rate is the lowest rate for a major office center in the nation, the survey reported.

Chicago was the leading U.S. city in absorption rates with 6.4 million square feet absorbed, ranking second worldwide; London was first, with 6.5 million square feet absorbed.

Total U.S. absorption stood at 40.5 million square feet in the first half of 1987, compared to 77.4 million square feet for all of 1986.

Mr. Marmion explained: "U.S. absorption remains strong, indicating continued demand for office space. Nevertheless, there is a five-year supply of space on the market at current absorption rates."

Boston and Los Angeles round out the top five cities for absorption in the 42-city survey, which includes cities in the United States, Austria, Canada, England, The Netherlands and West Germany.

Invest . . .

Continued from page 15
nie Mae know they are participating until they deliver their pool packages.

Because Fannie Mae uses the book-entry system and doesn't issue the securities itself, it doesn't know who is investing in the pools. However, just about any institution that invests or wants to invest in mortgage-backed securities is a potential investor in the multiple-lender pools. Investors run the gamut from insurance companies to pension funds.

Fannie Mae's first multiple-lender pools were created in January. About 60 lenders contributed almost $250 million in loans to six pools that ranged in size from $10 million to $97 million, with two pools for each coupon of 8.5%, 9%, and 9.5%.

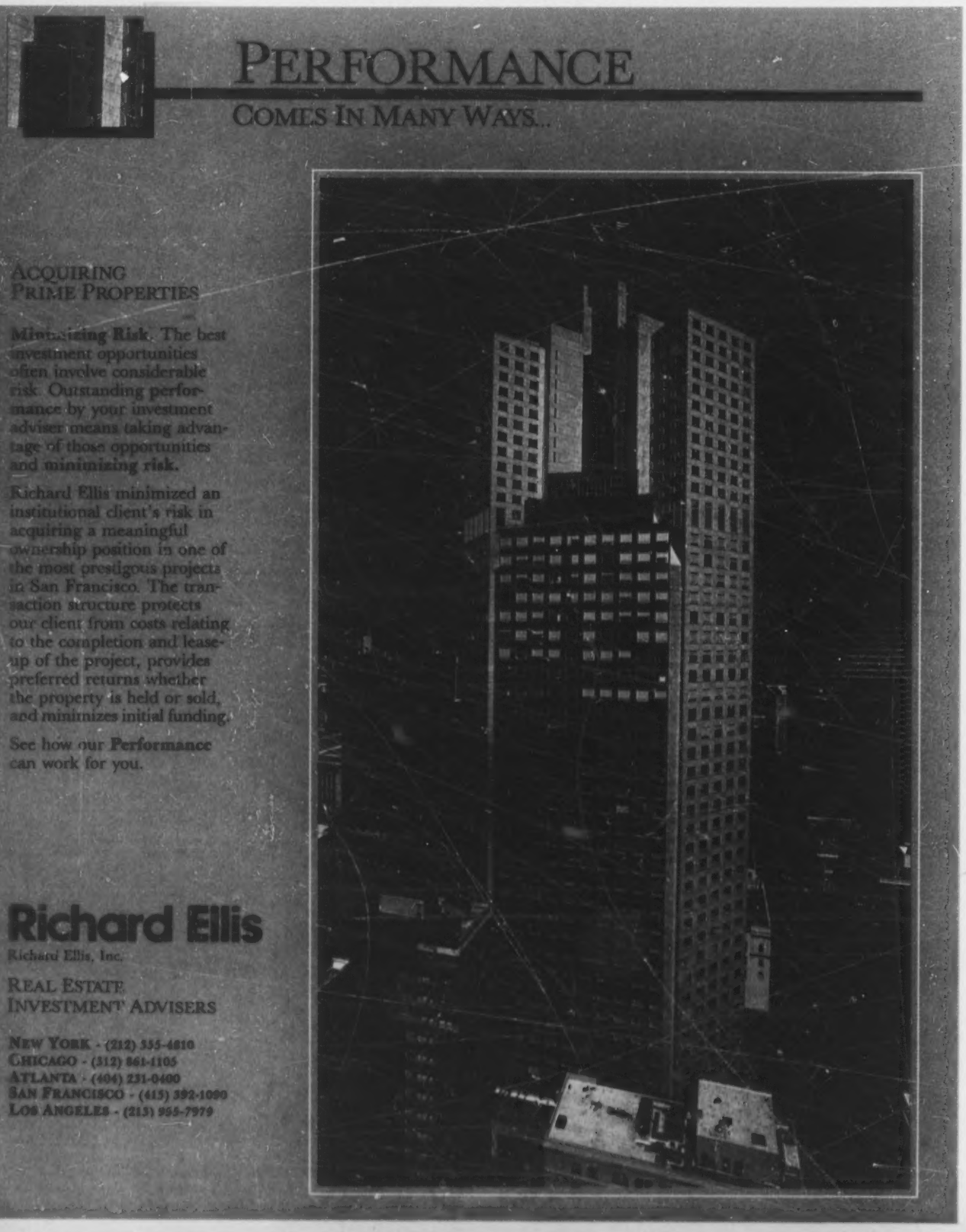
By April, 118 lenders had contributed more than $500 million in loans. In May, Fannie Mae issued some $700 million in Fannie Majors and about 150 lenders participated. July's $315 million issue attracted more than 150 lenders.

"The program is taking off. We think it's a win-win situation for lenders and investors," Mr. Levin said, adding that as the program becomes better known and understood he thinks it could develop into a "multibillion-dollar market."

Investors think the market for multiple-lender pools will increase dramatically in the years to come.

"I think it's a great deal. The potential is huge," one major insurance company executive said.

Fannie Mae is running seminars for investors to get the word out and is about to begin a major advertising campaign that will feature its newest mortgage-backed securities product. ■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Specialty . . .

Continued from page 15

(fully) leased situation."

In the three properties in his fund, the appreciation component of the one-year PIPER return actually represents 18 months of appreciation.

He said he also expects appreciation will be high in 1987, though he is not able to say whether it will be as high as 1986.

The buildings in the fund are office buildings in Miami and San Diego, Calif., and an industrial building in Santa Ana, Calif.

For Chase Investors Management Corp., New York, Chase Bank Real Estate Investment Fund, the appreciation figure is carried even further forward since the last appraisal was done Sept. 30. It has $80 million in assets and six properties and returned 17% for the 12 months.

Part of the reason that the Chase fund did so well, said Fran Decker, a vice president for Chase, might be a function of that appraisal process. "As of Sept. 30 we have our properties appraised, so the March number would be a combination of our appreciation that was recognized from Oct. 30, 1985 through Sept. 30, 1986."

If there were a re-appraisal today, Mr. Decker said, he doesn't believe the total value of the fund would decrease. As with the Metropolitan fund, none of the properties is in the energy belt, where sharp writedowns are occurring.

During the last appraisal period for Chase, said Mr. Decker, property prices were generally rising because of foreign dollar investment and efforts to buy and sell properties before tax reform took effect. He thinks they are continuing to increase, though maybe not as much as in the past fiscal year for the Chase fund.

For the Citicorp fund, internal or independent appraisals are done quarterly, according to John Kemble, vice president. Of the 19.8% return, about 14.2% came from appreciation.

About 50% of the appreciation, he said, came from the sale in 1986 of two Century City, Calif., office buildings for $230 million to Japanese investors. Also, he said, rents were driven up to $27 per square foot from about $10 on an office building at 633 Third Ave., New York.

Last September, he said, the fund had seven properties, but now has 12. Cash from the sale of the Century City buildings and refinancing of the Third Avenue building was used to buy five other properties, four of which are shopping centers.

Mr. Kemble said he expects the fund to have good appreciation in the future, but not as high as it has been.

The high-scoring JMB Group Trust I also has four regional malls and no investments in the energy belt.

A key reason why the fund has done so well, said Ted Stern, JMB executive vice president, is officials saw trouble several years ago in the office market and decided to place a higher emphasis on retail.

Properties in the trust are appraised quarterly by in-house or independent appraisers, he said. ■

Real Estate open-end funds

Periods ended March 31

1-year returns

	%
Citicorp, N.Y.	19.8
Chase Manhattan, N.Y.	17.0
Copley (Dev. prop.), Mass.	15.7
Prudential (PRISA II), N.J.	15.6
Morgan Guaranty, N.Y.	13.8
Metropolitan Life (Tower), N.Y.	13.4
Wells Fargo Realty, Calif.	12.6
NCNB Nat'l Bank, N.C.	12.1
Sanwa Bank (F), Calif.	12.0
Phoenix Mutual, Conn.	11.5
Third Nat'l Nashville	10.3
Prudential (MORISA) N.J.	9.9
Metropolitan Life, N.Y.	9.7
United Virginia Bank	9.5
Bank of Boston	9.2
Prudential (PRIMOR), N.J.	8.8
Massachusetts Mutual	8.8
Bank One Trust Columbus, Ohio	8.7
Equitable Life (Prime prop.), N.Y.	8.7
Union Labor Life (J), D.C.	8.4
Harris Trust (Inc. prop. F), Ill.	8.4
CIGNA Corp., Conn.	8.3
Aetna Life & Cas. (PMSA)	8.1
Wachovia Bank, N.C.	8.1
Principal Mutual Life, Iowa	8.0
Aetna Life & Cas. (RESA)	7.6
Sun Bank, Fla.	6.7
Prudential (PRISA), N.J.	4.6
First of Chicago (F)	4.4
Consumer Price Index	**3.1**
Mutual Benefit Life (VCA-5), N.J.	1.2
Seafirst Bank, Wash.	−4.5
First RepublicBank, Texas	−8.8
InterFirst Bank Dallas	−19.8

3-year returns

	%
Copley (Dev. prop.), Mass.	18.7
Citicorp, N.Y.	15.8
Chase Manhattan, N.Y.	15.6
Prudential (PRISA II), N.Y.	15.2
Phoenix Mutual, Conn.	15.0
Morgan Guaranty, N.Y.	14.9
Prudential (MORISA), N.Y.	14.2
NCNB Nat'l Bank, N.C.	14.0
Union Labor Life (J), D.C.	13.7
Prudential (PRIMOR), N.J.	13.2
Metropolitan Life, N.Y.	11.8
CIGNA Corp., Conn.	11.8
Metropolitan Life (Tower), N.Y.	11.7
Bank One Trust Columbus, Ohio	11.7
Mutual Benefit Life (VCA-5), N.J.	11.6
Wells Fargo Realty, Calif.	11.3
Wachovia Bank, N.C.	11.2
Aetna Life & Cas. (PMSA), Conn.	10.8
Bank of Boston, Mass.	10.8
Harris Trust (Inc. prop. F), Ill.	10.6
Equitable Life (Prime prop.), N.Y.	10.5
United Virginia Bank	10.4
Massachusetts Mutual	9.9
Aetna Life & Cas. (RESA), Conn.	9.6
Third Nat'l Nashville, Tenn.	9.5
Sun Bank, Fla.	9.4
Principal Mutual Life, Iowa	9.4
First of Chicago (F), Ill.	9.1
Sanwa Bank (F), Calif.	8.5
Prudential (PRISA), N.J.	8.3
First RepublicBank (Eq.), Texas	3.8
Seafirst Bank, Wash.	3.1
Consumer Price Index	**3.0**
InterFirst Bank Dallas	−1.7

5-year returns

	%
Copley (Dev. prop.), Mass.	21.5
Morgan Guaranty, N.Y.	17.7
Union Labor Life (J), D.C.	16.2
NCNB Nat'l Bank, N.C.	15.8
Prudential (MORISA), N.J.	15.3
Phoenix Mutual, Conn.	15.2
Chase Manhattan, N.Y.	14.8
Prudential (PRIMOR), N.J.	14.6
Prudential (PRISA II), N.J.	14.4
Aetna Life & Cas. (PMSA), Conn.	13.8
Metropolitan Life (Tower), N.Y.	13.7
Mutual Benefit Life (VCA-5), N.J.	13.7
Metropolitan Life, N.Y.	13.1
CIGNA Corp., Conn.	13.1
Citicorp, N.Y.	12.2
Bank of Boston, Mass.	12.1
Bank One Trust Columbus, Ohio	11.8
Equitable Life (Prime prop.), N.Y.	11.7
United Virginia Bank	11.2
Wachovia Bank, N.C.	10.9
Sun Bank, Fla.	10.4
Aetna Life & Cas. (RESA), Conn.	10.3
First of Chicago (F), Ill.	10.3
Principal Mutual Life, Iowa	10.3
Massachusetts Mutual	10.1
Wells Fargo Realty, Calif.	10.1
Third Nat'l Nashville, Tenn.	10.0
Prudential (PRISA), N.J.	8.8
First RepublicBank (Eq.), Texas	6.7
Seafirst Bank, Wash.	6.0
InterFirst Bank Dallas	4.3
Consumer Price Index	**3.5**

10-year returns

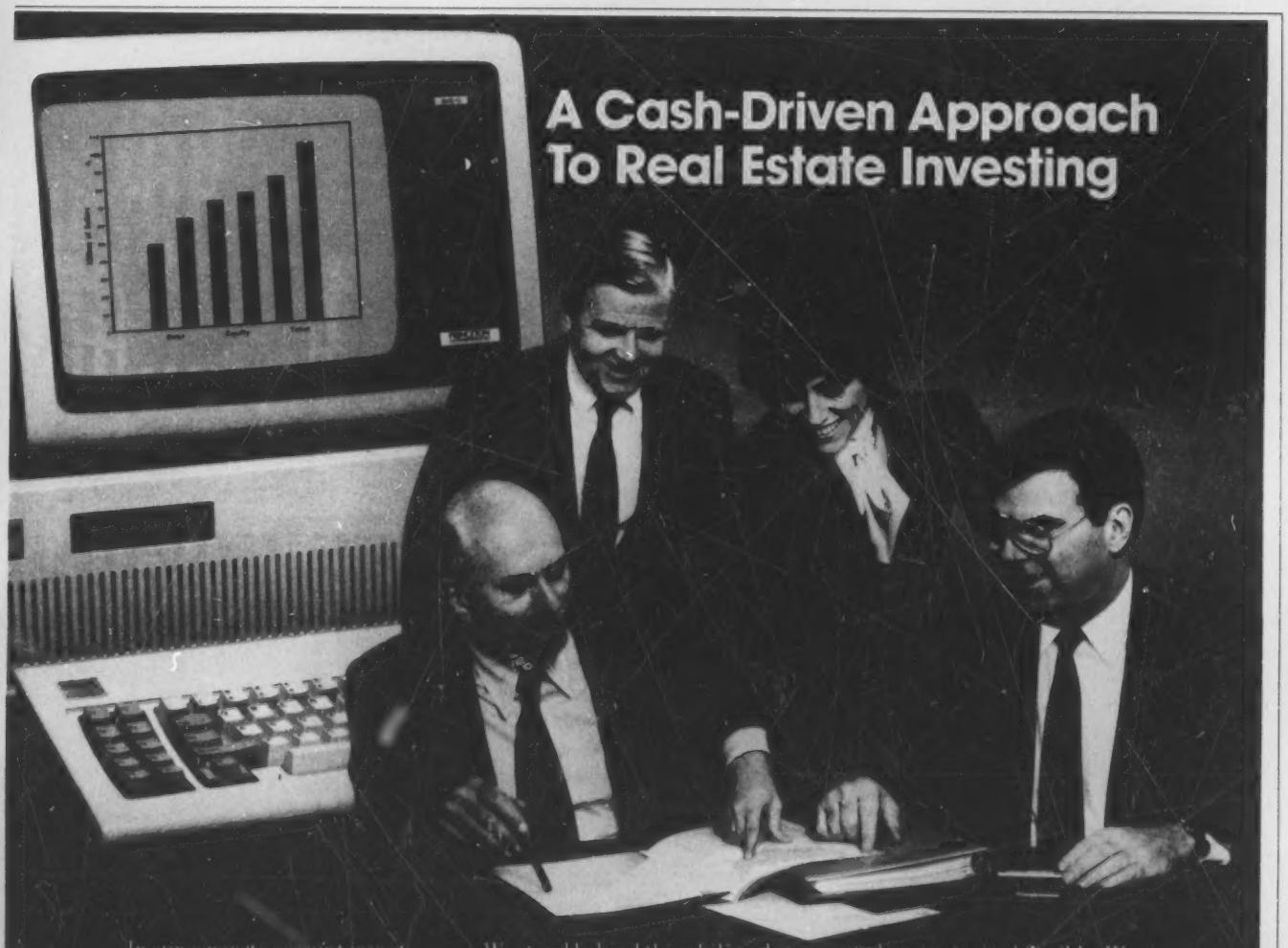
	%
Morgan Guaranty, N.Y.	18.8
Wachovia Bank, N.C.	14.9
Prudential (PRISA), N.J.	14.1
NCNB Nat'l Bank, N.C.	13.8
Metropolitan Life, N.Y.	13.5
Equitable Life (Prime prop.), N.Y.	12.9
Wells Fargo Realty, Calif.	12.5
Bank of Boston, Mass.	12.0
First of Chicago (F), Ill.	11.9
Consumer Price Index	**6.6**

Real Estate closed-end funds

Periods ended March 31

1-year returns

	%
Metropolitan Life (II), N.Y.	17.9
JMB Institutional (I)	16.7
TCW Realty Advisors (II), Calif.	16.3
LaSalle Advisors (LF II), Ill.	15.8
JMB Institutional (II)	15.5
TCW Realty Advisors (I), Calif.	12.3
CIGNA Corp., Conn.	11 9
State Street Bank (I), Mass.	11 8
Lehndorff & Babson, Mass.	11.6
RREEF (West III)	11.4
Equitec (I), Calif.	11.3
RREEF (Mid-Am./East IV)	10.6
LaSalle Advisors (LSF), N.Y.	10.5
Equitable Life (New prop.), N.Y.	10.1
RREEF (Mid-Am. III)	10.0
Landauer Advisors (I), N.Y.	10.0
State Street Bank (II), Mass.	9.8
Aetna Life & Cas. (CERESA I)	9.4
RREEF (West V)	9.3
RREEF (Mid-Am. II)	8.9
RREEF (West IV)	8.8
JMB Institutional (III)	8.6
Aetna Life & Cas. (CERESA II)	8.2
Metropolitan Life (I), N.Y.	8.1
Coldwell Banker (VIII)	7.6



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Studies rap Social Security

By Fred Williams

DALLAS — The Social Security system is causing a massive shift of funds to whites from blacks and is draining all American workers who are paying more than they will receive at retirement, according to two separate studies by the National Center for Policy Analysis.

Both studies indicate workers would do better if they were able to invest their retirement savings privately.

Robert Myers, former chief actuary and deputy commissioner for the Social Security Administration, said the studies contained little new information and repeated frequent criticisms of the system.

He said the study regarding the impact on blacks may be based on "faulty" assumptions.

The studies were prepared by Peter Ferrara, a Washington attorney and leading critic of the system, and John Goodman, president of the NCPA, a Dallas-based public policy research organization.

The NCPA said black workers receive "far less" in benefits primarily because they have a shorter life span.

As an example, the study said a white male entering the labor market today can expect to receive 74% more in Social Security retirement benefits and 47% more in Medicare benefits than a black male earning the same wage.

The study said a white working couple can expect to receive about 35% more in retirement and Medicare benefits than a black working couple.

"In any given year, a black male worker is about twice as likely to die as a white male worker," said Mr. Goodman, NCPA president. "Among children born today, only 58% of black males and only 75% of black females are expected to reach the age of 65."

According to the NCPA, a single black male, earning the median income, can expect to receive $27,743 in total benefits, measured in 1986 prices.

A white male earning identical wages can expect $40,610 in benefits — about 50% more.

"Blacks are overrepresented among those of tax-paying age and underrepresented among Social Security beneficiaries," Mr. Goodman said.

"The effects of the welfare state are devastating for blacks in terms of the loss of Social Security benefits. In fact, the treatment of the two races by Social Security is so different, the very constitutionality of the system may be questioned."

Mr. Myers labeled this assertion "rubbish," and said race is "not always easily determinable" from Social Security rolls.

Mr. Myers said although he has not yet seen the study of black workers by the NCPA, "their work previously was faulty" and based on "common but incorrect actuarial assumptions that everyone lives to their expectations of life and then drops dead.

"They have said previously that blacks live to age 64 and then die. The assumption is an average which means half live longer and do draw extended benefits."

He said such studies also ignore survivor benefit payments.

Some organizations representing blacks have considered similar findings in the past, but after further study, agreed Social Security does indeed "help the lower-paid worker," he said.

Neither the National Association for the Advancement of Colored People nor the National Urban League offices in New York had any comment on the NCPA report.

In other findings, the NCPA said single workers earning the median income can expect to pay as much as $57,669 more than they would receive through Social Security; a working couple, both earning average incomes, can expect to "lose" $82,814; and a professional couple both earning high incomes, $200,000.

All calculations are based on persons 20 years old in 1986.

"In order to pay the benefits that have been promised to today's young people, as much as 38% of workers' incomes will have to be collected in payroll taxes during the next century," said Mr. Goodman.

He said the prediction is based on projections by the Social Security Administration.

He also pointed out there will be a dwindling supply of workers to support Social Security beneficiaries in the next century.

In 1950, there were 48 million workers and only 3 million retirees, a ratio of 16-to-1; by 1979, the ratio of workers to beneficiaries was 3-to-1; and sometime in the next century the ratio will drop to 2-to-1, or lower.

"The future financial crisis of Social Security can be averted only if we act today.

"This will require replacing the 'chain letter' approach of Social Security with a system in which each generation is committed to paying its own way," the study said.

Although Social Security is "a bonanza" for current retirees, the expected rate of return promised to workers at most age levels today "is abysmal when compared to the alternatives offered by the private capital market," the study said.

Mr. Myers said the study contains only time-worn criticisms of Social Security.

"The problem with all these studies is that they view Social Security as a system where everyone gets back exactly what he puts in and they assume people can and would go out and invest that money at 6% real interest, which I don't think is possible over any extended period of time," he said.

Mr. Myers said the real interest earned by pension plans in general has been 2% to 3% for a 20- to 30-year period.

He said such studies also usually include the costs of Medicare and label the whole package as a Social Security problem.

Mr. Myers said it is true that if the employee could invest the employer contribution as well as his or her own contribution, he or she might do well, "but who would pay for those persons who have already retired and those nearing retirement? They always answer that it would come from general revenue. What general revenue? We are operating in a deficit environment." ■

Coldwell Banker (IV)	7.0
RREEF (West VI)	6.5
State Street Bank (III), Mass.	5.8
RREEF (Mid-Am. I)	5.5
RREEF (West I)	5.4
RREEF (West II)	5.2
RREEF (USA III)	4.8
Coldwell Banker (III)	4.4
RREEF (USA I)	4.2
Coldwell Banker (VI)	4.0
Coldwell Banker (V)	3.8
Consumer Price Index	**3.1**
RREEF (USA II)	0.8
Coldwell Banker (II)	−0.2
Coldwell Banker (VII)	−3.7

3-year returns

	%
JMB Institutional (I)	20.1
State Street Bank (I), Mass.	15.6
JMB Institutional (II)	14.9
LaSalle Advisors (LSF), Ill.	14.0
Landauer Advisors (I), N.Y.	13.5
Coldwell Banker (V)	13.5
Aetna Life & Cas. (CERESA I)	12.7
Equitable Life (New prop.), N.Y.	12.1
RREEF (Mid-Am. II)	11.7
CIGNA Corp., Conn.	11.2
RREEF (West III)	11.2
State Street Bank (II), Mass.	9.9
RREEF (Mid-Am./East IV)	9.2
Coldwell Banker (IV)	9.2
Coldwell Banker (II)	9.0
RREEF (West II)	8.8
RREEF (USA I)	8.7
Metropolitan Life (I), N.Y.	8.6
RREEF (West IV)	7.9
Coldwell Banker (III)	7.4
RREEF (West VI)	7.4
RREEF (West I)	7.2
Coldwell Banker (VI)	6.9
RREEF (Mid-Am. I)	6.8
Coldwell Banker (VII)	6.3
RREEF (USA II)	4.0
RREEF (USA III)	3.8
Consumer Price Index	**3.0**

5-year returns

	%
JMB Institutional (I)	18.6
LaSalle Advisors (LSF), Ill.	15.7
Coldwell Banker (V)	13.4
RREEF (Mid-Am. II)	13.3
RREEF (West III)	12.3
Coldwell Banker (II)	11.8
Coldwell Banker (IV)	10.6
RREEF (West II)	10.4
RREEF (USA I)	10.3
RREEF (West I)	9.5
Coldwell Banker (VI)	8.9
Coldwell Banker (III)	8.8
RREEF (USA II)	8.8
RREEF (Mid-Am. I)	8.5
RREEF (West IV)	8.4
Consumer Price Index	**3.5**

10-year returns

	%
Coldwell Banker (II)	18.8
RREEF (West I)	15.7
Consumer Price Index	**6.6**

London operation set up

BOSTON — John Hancock Financial Services has established its first overseas subsidiary, John Hancock Advisers International Ltd.

The London-based subsidiary, which opened Aug. 6, provides global investment advice and handles management of the John Hancock Global Trust fund and the John Hancock World Trust fund.

The World Trust fund, established Aug. 12, includes the Pacific Basin Equities Portfolio and the Fixed Income Portfolio, which will operate worldwide, according to Bob Young, a spokesman for Hancock.

R. Bruce Oliver, the vice chairman and president of John Hancock Advisers Inc., is chairman of the new company, which is an SEC-registered investment adviser. John Hancock Financial Services has $42.2 billion of assets under management.

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August 1987

The Investment Banking Group

Master Trust

Master trust fee survey results

Total amount	Total plans	No. of managers	Fees ($ thous.)	Bank
$5 billion or more	10	30	1,500	Manufacturers Nat'l/Detroit
	28	35	1,600	Northern Trust, State Street Bank
	1	21	386	Security Pacific
	14	17	1,500	State Street Bank
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	17	10,500	Northern Trust
	1	[illegible]	900	Bankers Trust
	[illegible]	[illegible]	[illegible]	[illegible]
$1-3 billion	4	26	1,413	Harris Trust
	3	6	500	Boston Safe Deposit & Trust
	2	23	160	NA
	23	30	2,000	State Street Bank
	1	4	450	Manufacturers Hanover
	4	12	250	Chase Manhattan
	1	8	106	First Interstate
	3	2	1,700	Morgan Guaranty
	250	14	1,700	Boston Co.
	1	6	100	Indiana Nat'l Bank
	1	9	160	First Wisconsin Trust
	NA	7	350	State Street Bank
	95	4	500	Citibank
	15	13	278	Northern Trust
$500 mil.-1 bil.	17	9	200	Mercantile-Safe Detroit
	1	10	500	Chase Manhattan
	3	12	750	Northern Trust
	8	NA	NA	Mellon Bank
	2	9	200	Chase, First Fidelity, Citicorp
	2	11	150	Bank of America
	1	12	520	Northern Trust
	1	15	225	Manufacturers Hanover
	18	5	330	Northern Trust
	1	12	261	Wachovia Bank and Trust
	1	13	NA	Irving Trust
	1	13	183	State Street Bank
	3	23	325	Bankers Trust
	1	10	139	NA
	1	7	150	Boston Safe Deposit & Trust
	10	14	407	Northern Trust
	40	7	300	Mellon Bank
	3	1	155	Manufacturers Hanover
$250-500 million	3	7	195	Commerce Bank/Kansas City, Mo.
	20	10	300	First Wisconsin Trust
	2	5	137	Bank of New York
	1	17	78	First City Bank/Dallas
	5	6	250	State Street Bank
	27	5	180	Citibank
	3	19	320	First Trust
	1	11	120	Harris Trust
	1	8	115	Northern Trust
	4	11	90	Chase Manhattan
	1	3	50	Comerica
	29	5	266	State Street Bank
	1	3	140	Nat'l Bank of Washington
$100-250 million	[illegible]	[illegible]	[illegible]	Irving Trust
	2	[illegible]	94	Boston Safe Deposit & Trust
	1	[illegible]	185	Bankers Trust
	2	17	156	Northern Trust
	2	[illegible]	250	Bankers Trust
	[illegible]	[illegible]	156	Nat'l Bank of Detroit
	1	12	175	Security Pacific
	[illegible]	[illegible]	200	Mellon Bank
	1	7	70	Citizens & Southern
	[illegible]	[illegible]	NA	Signet Bank
	2	[illegible]	371	Bankers Trust
	13	[illegible]	NA	Bank of America
	[illegible]	7	71	First Kentucky Trust
	[illegible]	12	154	Mellon Bank
	2	[illegible]	52	Northern Trust
	[illegible]	[illegible]	[illegible]	[illegible]
less than $100 million	40	10	100	Bankers Trust
	3	2	34	AmeriTrust
	1	6	70	Wachovia Bank & Trust
	4	13	566	Irving Trust
	0	5	50	Northern Trust

Pension execs say fees are fair

By Jacqueline Dutton

Pension fund executives generally believe they are paying a reasonable price for master trustee services even though those fees have increased over the past five years, a *Pensions & Investment Age* survey shows.

In an anonymous survey that drew responses from 75 pension executives overseeing a combined $107.5 billion in assets, the executives were asked if their annual master trustee fees increased and whether they considered fees high, average or low.

Although 60% of the respondents reported a median fee increase of $100,000 over the past five years, only 12% considered fees high.

Furthermore, while only two respondents reported a decline in fees over the past five years, 13 respondents, or 17%, believed the fees they paid were low.

Not only are the executives content with the fees charged, the survey showed, they also generally are pleased with the service the master trustees are providing. When asked if a change in master trustee was under consideration, 86% responded no.

The survey also showed 32% of the plans have had the same master trustee for 10 years or more, and 67% for five years or more.

The annual fees paid by the funds ranged from $50,000 for a client of Northern Trust Co., Chicago, to $10.5 million for another Northern Trust client. The median annual fee was $250,000.

When asked who pays the fees, 70% of the respondents said fees are paid by the fund, while 30% said fees are paid by the plan sponsors.

Very few of the respondents — six of the 75, or 8% — reported paying fees in soft dollars.

In general, the largest fees reported in the survey were paid by those funds with the largest amounts of employee benefit assets. But for annual fees of less than $850,000, there was no clear correlation between the size of the fees paid and the size of the account. Instead, other variables — number of plans, number of money managers and type of services provided — seemed to play a greater role in the amount paid.

The size of master trust assets ranged from $230,000 to $15.2 billion; the median was $575 million.

The range for the number of defined benefit plans in a master trust was zero to 250, and the range for number of defined contribution plans was zero to 10. The median number of defined benefit plans in a master trust was two, and the median number of defined contribution plans was one.

The number of money managers under the master trust ranged from one to 35; the median was nine.

In some cases, the difference in complexity of the respondents' master trusts — number of plans and money managers incorporated — accounted for discrepancies in the size of fees paid. For example, two of the respondents each reported total master trust assets of $300 million. One, with almost 30 plans and five money managers, paid $270,000 in annual master trust fees, while the other paid, with one plan and three money managers, paid $50,000.

But the surface comparisons did not fully explain the discrepancies in fees charged. Thomas W. Kimen, a senior vice president at Northern Trust Co., Chicago, said every master trust account is different and requires a different blend of services.

"In some cases fees differ because of the types of securities used," Mr. Kimen said. "Other times operating costs are different. Then there are differences in the money managers; some are high-volume traders and other low-volume. Their are differences in accounting requirements with various plans. Some want performance evaluation and benefits payment." ■

The cost of competing

Solving some problems creates others

By Trudy Ring

Bank of America is shelling out $25 million to fix a $20 million computer system — the most glaring but by no means only example of the problems master trust banks face in remaining competitive.

Many banks are battling to improve — through new technology — such master trust services as reporting and handling mortgage-backed securities, but some still have lost clients to the fight.

Bank of America, San Francisco, invested $20 million to create and install MasterNet. Now, it has set aside another $25 million because of significant delays in monthly statements produced by the new system.

Peter Magnani, a public relations officer with Bank of America, confirmed the bank's problems with MasterNet, but wouldn't say what caused them. "We've just characterized it as a conversion problem," he said.

In interviews, Bank of America clients acknowledged they haven't been receiving monthly statements on time, but they stopped short of revealing any intentions of firing the bank. "Anyone utilizing any service should analyze where it stands in relation to the market," one client explained.

Another client said the system appears to record and report fund activities accurately; it's just the delay that's a problem.

Mr. Magnani said the bank is in the process of catching up on all accounts. No customer information has been lost, he said.

When MasterNet is fixed, he added, it will have more capacity than the previous data processing system and will allow customers to link up with the bank through personal computers, he said.

The $380 million Bush Foundation, St. Paul, Minn., dropped First Trust Co., St. Paul, because of difficulty in obtaining timely, accurate reports, said Gerald M. Skogley, the foundation's business manager.

"The service at First Trust was not as good as it had been earlier in our relationship," he said of the decision to replace First Trust with Boston Safe Deposit and Trust Co., Boston.

He noted First Trust had undergone some internal restructuring, which bank officials said occurred during the consolidation of its trust services with those of First Bank Minneapolis and First Bank St. Paul. All are part of First Bank System, Minneapolis.

The consolidation took about two years and is largely complete now, said Michael W. Kellogg, assistant vice president of First Trust.

Mr. Kellogg declined to offer any details of the problems that arose during the consolidation process, but he said they are over now.

"We're very pleased that the overwhelming majority of our clients stayed with us," Mr. Kellogg said.

The merger actually will

Continued on page 36

Assets hit $1.32 trillion

Custodial increase outstrips master trust hike

By Hank Berkowitz

Tax-exempt assets held by the nation's master trust and custodial banks grew 46% to almost $1.32 trillion for the 12 months ended June 30, up from $903.8 billion a year ago, according to a *Pensions & Investment Age* survey.

Assets held in master trust accounts of those banks grew 36.5% to $743.5 billion, and assets held in master custodial accounts grew 59.6% to $573.3 billion, according to *P&I Age* data.

(These statistics exclude Security Pacific, Los Angeles because the bank was not included in the 1986 *P&I Age* master trust directory. Security Pacific had $3.2 billion in master trust and $35 billion in master custody assets as of June 30.)

The growth was triggered primarily by stock market appreciation — 25.2% for the Standard & Poor's 500 stock index during the period — and, secondarily, by new business.

According to data compiled by Greenwich Associates, Greenwich, Conn., 73% of pension funds with assets greater than $10 million now use master trustees. That number is significantly higher than the 49% level recorded in 1980.

"That (growth) game's over," said Ronald Golz, executive vice president of State Street Bank & Trust Co., Boston, explaining the corporate pension side of master trust has been saturated.

"It's a mature business," agreed Eileen Sherman, a Greenwich Associates partner, noting there are few pension funds without master trustees.

To obtain a new client, she said, "you've got to win that business away and convince them to switch."

Greenwich Associates compiled its data from a survey of 1,046 major pension funds whose assets exceeded $20 million as of October 1986.

It's really a matter of "musical chairs now," with pension funds more likely to change master trustees than they were a few years ago, said Ron Jones, a partner at Hewitt Associates, a Lincolnshire, Ill.-based consulting firm.

Changes often result from "the timeliness and accuracy of the reports they're getting," Mr. Jones said.

Master trust banks are legally responsible for multiple plans with multiple managers, and for single plans with multiple managers. Master trustees provide unitized reporting, accounting and performance measurement services for their clients, which are primarily corporate employee benefit plans.

Master custodians provide the same services, but their clients — primarily public employee plans, endowment funds and foundations — retain legal trusteeship.

Larger pension funds, which often have multiple managers, most often use master trust banks.

Greenwich's data show that 94% of funds with assets greater than $1 billion use master trust and master custodial services, up from 89% in 1985. That proportion drops to 87% for funds in the $250 million range and to 67% for funds in the $20 million range (*see table below*).

Percentage of funds using master trusts as determined by fund assets

Assets	%
$1 billion or more	94
$501 to $1 bil.	91
$250 to $500 mil.	83
$200 to $250 mil.	87
$150 to $200 mil.	71
$50 to $100 mil.	63
$40 to $ 50 mil.	63
$30 to $ 40 mil.	58
$20 to $30 mil.	53
$20 or less	67

While some smaller players, particularly regional banks, have made impressive inroads in the trust and custody universe, large banks continue to dominate the market.

Regional banks run into problems when clients want to diversify into more complicated areas like international investments and Government National Mortgage Association Securities, said Mr. Golz of State Street, the nation's largest provider of master trust and custody services. "Regionals still have to subcontract out those services."

The 10 largest master trust banks service 76.5% of the market, according to *P&I Age*'s data.

State Street amassed a $48.3 billion gain in master trust assets during the year, replacing Bankers Trust Co., New York, as the largest provider of master trust services, the *P&I Age* data indicated.

State Street has capitalized on "synergy" Mr. Golz said, with its market share at 12.5%, the *P&I Age* data showed. "When clients select us for participatory recordkeeping, they also tend to select us as master trustee," he said.

Mr. Golz also said the rising popularity of group trust services — which State Street pioneered three years ago — has fueled its rise to the top of the master trust market.

"Conceptually, we're like a manager of managers," Mr. Golz said of banks that provide group trust services — essentially pooled funds of money that give pension funds access to a variety of different management styles under a single, economical umbrella.

Banker's Trust is now the second largest provider of master trust services, with $91 billion under trusteeship, up from $74 billion a year ago, the *P&I Age* data showed. Its market share is 12%. Mellon Bank, Pittsburgh (11.3%); Northern Trust Co., Chicago (8.8%); and Chase Manhattan Bank, New York (8.3%), rounded out the top five providers of master trust services.

State Street is also the largest provider of master custody services, with $97.7 billion under management, up from $65.4 billion a year ago, according to *P&I Age* data.

As opposed to the corporate side of the master trust market,

Continued on page 52

Ronald Golz of State Street Bank says the master trust market has been saturated. Ron Jones of Hewitt Associates says timeliness and accuracy are reasons funds usually change master trustees.

U.S master trust/master custody banks ($ millions)

	Total	Master trust	Master custody
State Street Bank & Trust	190,890	93,185	97,705
Chase Manhattan Bank	148,000	63,000	85,000
Bankers Trust	117,900	91,100	26,800
Northern Trust	109,142	67,330	41,812
Citibank	102,536	29,109	73,427
Mellon Bank	98,199	86,289	11,910
Bank of New York	92,900	40,900	52,000
Boston Safe Deposit and Trust	86,961	33,728	53,233
Irving Trust	52,500	15,500	37,000
First RepublicBank/Dallas	38,200	25,600	12,600
Security Pacific	38,200	3,200	35,000
Harris Trust and Savings	36,689	35,600	1,089
First Pennsylvania Bank	30,980	3,774	27,206
Manufacturers Hanover Trust	29,668	21,000	8,668
Nat'l Bank of Detroit	28,000	28,000	0
First Wachovia	27,717	23,669	4,048
U.S. Trust Co. of New York	22,000	12,500	9,500
Bank of America	16,285	13,500	2,785
Manufacturers Nat'l Bank/Detroit	16,042	13,397	2,645
Continental Illinois Nat'l Bank	14,310	11,570	2,740
Wilmington Trust	12,554	12,414	140
Citizens & Southern Nat'l Bank	9,856	1,199	8,657
AmeriTrust	7,330	4,044	3,286
First Trust	4,400	4,000	400
Centerre Trust	4,259	1,686	2,573
Mercantile-Safe Deposit & Trust	4,100	2,200	1,900
First Wisconsin Trust	3,860	2,125	1,735
Marshall & Ilsley Trust	3,600	1,750	1,850
Norwest Bank/Minneapolis	3,300	2,600	700
Marine Midland Bank	2,400	1,800	600
Trust Co. Bank	2,254	941	1,313
Total	1,355,032	746,710	608,322

Solving some problems . . .

Continued from page 35

produce improved service because of economies of scale, he said.

A common problem for master trust banks has been contending with the variability of payments from mortgage-backed securities.

The $7.3 billion Los Angeles County Employees' Retirement Association, had problems with Security Pacific National Bank's recording of mortgage-backed securities payments. The fund eventually reached a settlement with the Los Angeles Bank and kept it as custodian.

C. Rodney Cooper, first vice president of Security Pacific, said the problems surfaced two years ago and have been corrected.

"We have, in the meantime, built what we consider one of the best Ginnie Mae processing systems around," he said.

State Street Bank and Trust Co., Boston, lost the custodial account of the $8.6 billion Teamsters, Central States, Southeast & Southwest Areas pension fund, Chicago. Fund officials said they dropped State Street and hired Mellon Bank, Pittsburgh, because of mortgage-backed securities problems.

State Street officials, however, contend the problem was more a difference of opinion over how things should be done than a lack of service. Indeed, other State Street clients said they have had no problems with the bank's accounting for mortgage-backed securities or any other investment transactions.

State Street officials said they made no changes as a result of the Teamsters' defection, but acknowledged the importance of continually upgrading master trust systems and services.

Officials of the $33 million Bergen Brunswig Corp. pension fund, Orange, Calif., saw problems with the timeliness of reporting by Security Pacific, Los Angeles, and tried without success to get them corrected, said George E. Reinhardt Jr., vice president-finance and chief financial officer. Another official of Bergen Brunswig declined to say whether the problem involved mortgage-backed securities. The fund hired Bankers Trust Co., New York, to replace Security Pacific as master trustee.

But other clients of Security Pacific and State Street expressed nothing but satisfaction with their banks. "We haven't had problems with our account," said an officer of the $1.2 billion Southern California Edison Co. pension fund, Rosemead, Calif., a Security Pacific client.

"Security Pacific is the best that I've ever dealt with," added Tom Friery, Sacramento city treasurer, who runs the $300 million Sacramento City Employees' Retirement System.

"Any issues that have come up have been resolved before they got to the problem stage," said Robert Evans, assistant treasurer of Xerox Corp., Stamford, Conn. State Street is master trustee of Xerox's $2.8 billion in pension and profit-sharing assets; Mr. Evans credited the success of the relationship to good communication and regular meetings with bank officials.

"We've been more than happy with our relationship with State Street, and we've never encountered any problems," said Sunny Oberoi, director-pension fund management at Pacific Gas & Electric Co., San Francisco. State Street is master trustee of the utility's $2.5 billion in pension assets.

Many banks are investing in new master trust technology, and State Street has even established the State Street Institute, a continuing professional education program for master trust personnel.

First Pennsylvania Bank, Philadelphia, spent $8 million over the past four years to develop and install a new system that recently began operating.

With the system, large, multimanager funds likely will get their monthly reports no later than the 15th business day after the end of the month; a week earlier than under the old system, officials said.

Trust One, which can be accessed by personal computers, will be easier to adapt to various kinds of securities, such as mortgage-backed and futures and options, and will permit customization of client reports.

A commitment to upgrading technology "is really essential in this business," said Maureen E. Pugh, senior vice president-trust operations at First Pennsylvania.

Bankers Trust has budgeted $10 million a year for the next several years to upgrade its master trust technology, said Carter Reynolds, vice president. The system has been in place for about 10 years and doesn't need a major overhaul, just continual fine-tuning to meet customers' increasingly sophisticated needs, she said. Those needs include dealing with an ever-expanding variety of securities.

"The investment structure of benefit plans is becoming and will continue to become increasingly complex," Xerox' Mr. Evans said. Vendors of securities generally don't think about accounting and reporting considerations, he said.

"The master trust industry is being challenged and it's only going to get worse," he said. "From a customer standpoint, I think it's essential that you sit down and go over what they're going through."

From a trustee standpoint, making a commitment to understand and be able to deal with new securities is essential, said Bob Mainer, senior vice president of Boston Safe Deposit. Pension fund officers don't want their ability to use futures, options, mortgage-backed or international securities constrained by their trustees' capabilities, he said.

Also, as important as timely, accurate reporting is, pension funds need more than that, Mr. Mainer said. Trustees need to provide means, such as PC access, to help fund officers analyze how their fund is meeting its goals.

Meeting pension funds' demands for service takes time, personnel and, above all, money — sometimes more money than small, regional master trust banks can spare.

"There appears to be a consolidation going on, specifically because of the more sophisticated requirements today," Ms. Reynolds said. "It's becoming increasingly difficult for the smaller banks to justify the cost." ■

Directory

AmeriTrust Co.

900 Euclid Ave., Cleveland, Ohio 44101; (216) 687-4089

Master trust assets	$4,044,000,000
Master custodial assets	$3,286,000,000
Master trust clients	48
Master custodial clients	13
Account supervisors	3

AmeriTrust Co.'s master trust assets rose $470 million as of June 30 from the previous year; master custodial assets increased $781 million.

The size of the largest master trust account is $688 million; the smallest is $1.5 million.

The primary accounting method is trade date; accrual also is offered.

Basic master trust services include automated cash management system; pension benefit payments; securities processing; performance measurement; and custody services.

Optional services include TUCS and AmeriScan, an on-line client inquiry system.

Monthly transaction reports and asset and liability reports are available five business days after the end of a period; performance measurement reports are available in 15 calendar days. All reports are available on-line.

New features include client PC download capability and on-line client inquiry for pension payment systems.

Fees are based on market value of assets and individual services provided.

The client contact is Gary W. Queen, senior vice president.

Bank of America

555 California St., San Francisco, Calif. 94104; (415) 622-9568

Master trust assets	$13,500,000,000
Master custodial assets	$2,785,000,000
Master trust clients	27
Master custodial clients	11
Account supervisors	16

Bank of America's master trust assets rose $2.53 billion as of June 30 from the previous year. The largest master trust account is $8.5 billion; the smallest is $25 million.

The primary accounting method used is accrual. Other methods offered are cash, modified cash, trade or settlement date, income-only accruals and book value.

Basic master trust services are accounting and reporting, cash management, pension disbursements and securities transactions. Optional services are participant record-keeping; securities lending; performance measurement and analytics; and global custody.

Monthly transaction reports and asset and liability reports are available five to 10 days after the end of a period; performance measurement reports are available in six business days. Securities lending and performance measurement reports are available on-line.

Fees are calculated on a percentage of assets, portfolio structure and transactions.

The client contact is John P. Sheehy, senior vice president.

The consultants directory will be published Nov. 16.

The Bank of New York

48 Wall St., New York, N.Y. 10286; (212) 530-1784

Master trust assets	$40,900,000,000
Master custodial assets	$51,000,000,000
Master trust clients	72
Master custodial clients	16
Account supervisors	12

The Bank of New York's master trust assets rose $14.7 billion as of June 30 from the previous year; master custodial assets rose $33.9 billion.

The size of the largest master trust account is $20 billion; the smallest is $5 million.

The primary accounting method is trade and settlement date. Also offered are cash basis, modified cash basis, full accrual trade date, full accrual settlement date, amortized cost/accumulation and liability accounting.

Basic master trust services include assistance in ERISA reporting; full administrative services; accounting reports; automated or sweep cash management; portfolio review; market investing; index funds; on-line services; custom reports; fail float protection; and options and futures accounting.

Optional services include performance measurement; securities lending; benefit payment; consulting services; global; daily unit valuation; and on-line inquiry with two-way communication.

Monthly transaction reports are available three to five days after the end of a period; asset and liability reports are available in one business day; and performance measurement reports, in 20 days. All are available on-line.

New features include enhancements to the mutual fund system with the new capabilities of Unicol, the addition of direct investment account link, and enhanced on-line and performance measurement services.

Fees are based on a combination of asset value and individual services.

The client contact is Roy P. Lanza, vice president.

Bankers Trust Co.

280 Park Ave., 8 West, New York, N.Y. 10017; (212) 850-2037

Master trust assets	$91,100,000,000
Master custodial assets	$26,800,000,000
Master trust clients	121
Master custodial clients	59
Account supervisors	51

Bankers Trust Co.'s master trust assets rose $11.7 billion as of June 30 from the previous year; master custodial assets increased $2.1 billion.

The size of the largest master trust account is $12.3 billion; the smallest is $1 million.

The primary accounting method is trade date; settlement date also is offered.

Basic master trust services include custody; accounting; reporting; cash management; and investment manager liaison. Optional services include securities lending; global custody; performance measurement; on-line inquiry; investment products; discount brokerage; BTCap, which allows investment managers to administer the pension assets of multiple clients in one consolidated portfolio; benefit payments on-line; aggressively managed STIF; BTMonitor, which measures the quality of equity trade execution; and the lending of Japanese securities.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available in seven to 10 business days; and performance measurement reports, in 15 business days. All are available on-line.

New features include discount brokerage; BTMonitor; and lending of Japanese securities.

Accounting and reporting fees are charged per portfolio, transaction fees for directed trades, and administration charges are based on the size and complexity of the total relationship.

The client contact is Frederick Bailey.

Boston Safe Deposit and Trust Co.

1 Boston Place, Boston, Mass. 02106; (617) 722-7314

Master trust assets	$33,728,000,000
Master custodial assets	$53,233,000,000
Master trust clients	42
Master custodial clients	22
Account supervisors	16

Boston Safe Deposit and Trust Co.'s master trust assets rose $5.54 billion as of June 30 from the previous year; master custodial assets rose $47.55 billion.

The size of the largest master trust account is $7 billion; the smallest is $23 million.

Its accounting method is a true, trade date and full accrual system. The accounting system interfaces daily with a cash basis securities control system.

Basic master trust services include safekeeping of assets; cash management and securities processing; and full accrual trade date-based accounting and reporting. Optional services include securities lending; global custody; benefit payments; participant record-keeping; structured investment products; performance measurement

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and analysis; on-line access capabilities; and PC workstation.

Transaction reports and asset and liability reports are available five business days after the end of a period; performance measurement reports are available in seven business days. All accounting and performance information is available on-line.

New features include trade cost measurement; enhanced PC workstation capabilities; London and Newport Beach offices; and international securities lending.

Fees are calculated on an individual basis and quoted based upon determination of the expected costs for the delivery of services required by each client.

The client contact is John L. Carty, vice president.

The cash management survey will be published Nov. 2.

Centerre Trust Co.

510 Locust, St. Louis, Mo. 63101; (314) 436-9265

Master trust assets	$1,686,000,000
Master custodial assets	$2,573,000,000
Master trust clients	11
Master custodial clients	7
Account supervisors	6

Centerre Trust Co.'s master trust assets rose $330 million as of June 30 from the previous year.

The largest master trust account is $670 million; the smallest is $4.5 million.

The primary accounting method used is a combination method. The employee benefit package is based on trade date; the transaction statement is based on settlement date. Equitable share accounting also is offered.

Basic master trust services include performance measurement/risk analysis; participant record keeping; assistance in ERISA reporting requirements; automatic sweep cash management; portfolio review; and market inventory/index funds. Optional services include performance measurement and customized account services.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available seven to 10 business days after the end of a period; and performance measurement reports, 10 business days after the end of a period. An on-line customer access feature will be expanded and completed by year end.

New features include upgraded performance measurement reporting servicing.

Fees are based on market value.

The client contact is Richard W. Hibbs, vice president and director of pension marketing.

Chase Manhattan Bank

1211 Avenue of the Americas, New York, N.Y. 10036; (212) 730-3008

Master trust assets	$63,000,000,000
Master custodial assets	$85,000,000,000
Master trust clients	94
Master custodial clients	66
Account supervisors	37

Chase Manhattan Bank's master trust assets rose $10 billion as of June 30 from the previous year; master custodial assets increased $21 billion. The figures do not include global assets of master trust/custody clients, totaling an additional $50 billion.

The largest master trust account is $18 billion; the smallest is $20 million.

The primary accounting method is trade date, fully accrued. Contractual settlement date also is available.

Basic master trust services include full administrative capability; safekeeping; electronic links to central depositories; advisory services; corporate actions monitoring; settlement of all trades and crediting of incomes; full on-line accounting and reporting, including options and futures, ERISA and FASB reporting, plan accounting; remote on-line inquiry; legal and regulatory guidance; and cash management, including active and passive investment vehicles and cash forecasts.

Optional services are benefit payments; global custody multicurrency accounting and reporting; global performance measurement; fully automated securities lending program; performance and analytics; asset liability studies; customized comparative universes; systems and performance consulting; client training; full report customization; and institutional cross-trading capabilities.

Monthly transaction reports are available the business day after the end of a period; asset and liability reports are available the seventh business day; and performance measurement reports, the second business day following completion of the accounting reports. All reports are available on-line.

New features include on-line performance and analytics; CPU-to-CPU transmission of data; graphics and downloading capabilities; a report-writing feature for design reports; consulting for systems and analytic support; full report customization capabilities; and client training.

Fees are based on the asset value of the account, the structure and the transaction volume.

The client contact is John A. Sweeney, vice president.

Citibank

153 E. 53rd St., New York, N.Y. 10043; (212) 559-1523

Master trust assets	$29,109,000,000
Master custodial assets	$73,427,000,000
Master trust clients	348
Master custodial clients	138
Account supervisors	56

Citibank's master trust assets rose $4.91 billion as of June 30 from the previous year; master custodial assets increased $29.8 billion.

The largest master trust account is $3.4 billion; the smallest is $1 million.

The primary accounting method is trade date; settlement date also is offered.

Basic master trust services include safekeeping and custody; cash management; trade date reporting; ERISA reporting; equitable share accounting; benefit disbursement; and on-line information systems. Optional services include flexible reporting; performance measurement and analysis; TUCS comparisons; global custody; securities lending; participant record-keeping; and DRIP service.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available five to seven business days following receipt of all information; and performance measurement reports, 15 business days after the end of a period. All are available on-line.

New features include enhanced flexible reporting on Citicorp Portfolio Analyst to include broker commission and performance measurement reports; Citistar, an enhanced on-line PC-based information management system; and automated interface with the proposed Mortgage-backed Securities Clearing Corp. Depository.

Fees are based on individual services.

The client contact is Gregory J. di Pretoro.

The Citizens and Southern National Bank

33 North Ave. N.E., Atlanta, Ga. 30308; (404) 897-3083

Master trust assets	$1,199,000,000
Master custodial assets	$8,657,000,000
Master trust clients	43
Master custodial clients	7
Account supervisors	15

Citizens and Southern National Bank's master trust assets rose $156.5 million as of June 30 from the previous year; master custodial assets in-

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510 Locust Street, St. Louis, MO 63101

creased $1.13 billion.

The primary accounting method is accrual, trade date. Asset valuations and transaction statements reflect pending transactions, and accrued interest and dividend income are reported on an accrual basis.

Basic master trust services include custody of assets; collection of any dividend or interest income; cash management; record maintenance; production of required statements; on-line access to trust accounting; periodic review of administrative matters and investments; personal contact with a certified employee benefit specialist; direction from authorized investment managers; and participant record-keeping. Optional services include international securities; options and futures; performance measurement; TUCS on-line; seminars; bulletins; legislative and regulatory affairs department; global custody; real estate services; multicurrency accounting; and on-line access to the trust accounting system.

Monthly transaction and asset reports are available within five business days after the end of a period; performance measurement reports are delivered within 10 days. All reports are available on-line.

Fees are based on market value of assets and individual services provided.

The client contact is Edgar R. Smith, vice president.

Continental Illinois National Bank and Trust Co. of Chicago

30 N. LaSalle St., Chicago, Ill. 60697; (312) 828-3560

Master trust assets	$11,570,000,000
Master custodial assets	$2,740,000,000
Master trust clients	39
Master custodial clients	11
Account supervisors	10

Continental Illinois National Bank and Trust Co.'s master trust and master custcdial assets rose 22% as of Dec. 31 from the previous year.

The size of the largest master trust account is $2.5 billion; the smallest is $7 million.

The primary accounting method used is full accrual, trade date. Also offered are flexible accounting and reporting capabilities on either a cash or an accrual basis with either settlement or trade date reporting; multiple plan accounting. Multiple plan accountings are available in any aggregation.

Basic master trust services include all regular custody and transaction costs related to investments; collection of all income and other distributions on assets; monthly cash and asset statements with quarterly and annual reports, including a balance sheet and schedules of assets valued at cost and market, earnings and expenses, cash receipts and disbursements, plan accounting and realized gain or loss on disposition of assets; an ERISA report package; service by the bank as trustee, as required; consulting support to the plan committee on legal issues and administrative procedures; automatic cash management sweep; and access to the Continental Remote Inquiry System, which includes transaction history, cash projection and asset files.

Optional services include investment management; pension and lump-sum disbursement services; performance measurement; global custody; and securities lending.

Monthly transaction reports are available two business days after month's end; asset and liability reports are available six business days after month's end; and performance measurement reports are available the 25th day.

Monthly transaction reports, cash receipt and disbursement projections and asset files are available on-line.

New features in early 1988 will include complete flexibility in report delivery dates; enhanced automated report customizing; greater adaptability for processing transactions for new security types; more efficient transaction processing and accounting routines; and enhanced remote inquiry files.

Fees are based on total relationship market value.

The client contacts are Christopher S. Ross and Glenn E. Kemp, vice presidents.

First Pennsylvania Bank

15th and Chestnut streets, Philadelphia, Pa. 19101; (215) 786-7946

Master trust assets	$3,774,000,000
Master custodial assets	$27,206,000,000
Master trust clients	18
Master custodial clients	20
Account supervisors	12

First Pennsylvania Bank's master trust assets rose $1.77 billion as of June 30 from the previous year; master custodial assets increased $5.45 billion.

The size of the largest master trust account is $1.5 billion; the smallest is $2.7 million.

The primary accounting method is cash basis; accrual basis also is offered.

Basic master trust services include cash basis reporting; securities movement and control; income collection; and client terminal. Optional services include performance comparison; performance measurement; accrual accounting; participant record-keeping; pension payroll; cash management; securities lending; global custody; portfolio analytics; and fail float.

Monthly transaction reports and asset and liability reports are available five to seven days after the end of a period; performance measurement reports are available 10 to 15 days after the end of a period. Asset and liability reports, daily transaction reports and cash projection reports are available on-line.

New features include downloading and on-line performance measurement.

Fees are based on market value; security; transaction volume; and number of accounts using specific services. Pension payroll and participant record keeping fees are based on the number of participants; securities lending is based on a percentage of net securities lending revenue.

The client contact is James F. McHale.

First RepublicBank Dallas

P.O. Box 241, Dallas, Texas 75221; (214) 922-6506

Master trust assets	$25,600,000,000
Master custodial assets	$12,600,000,000
Master trust clients	188
Master custodial clients	63
Account supervisors	17

First RepublicBank Dallas' master trust assets rose $7.7 billion as of June 30 from the previous year; master custodial assets increased $2.6 billion.

The largest master trust account is $6.5 billion; the smallest is $3 million.

The primary accounting method used is trade date, full accrual accounting. Other methods offered are settlement date and cash or accrual basis accounting.

Basic master trust services include client on-line reporting; downloading and format capabilities; accounting reports; global custody with multicurrency accounting; plan accounting; fail float earnings; pre-crediting dividends and interest on payable date in good funds; daily pricing; benefit payments; withholding and controlled disbursement; on-line performance measurement and analytics; on-line DTC/Id securities processing; on-line benefit payments; and on-line cash management and forecasting.

Optional services include securities lending; 401(k) and ESOP record-keeping with on-line inquiry; TUCS; government reporting; stock and bond index funds; portfolio risk insurance; GIC wholesale service; dedicated bond portfolio; performance consulting; transition manager service; futures and options; and international, real estate and energy investing.

Monthly transaction reports are available two business days after the end of a period; asset and liability reports, three to five business days, and performance measurement reports, 10 business days after the end of a period.

Reports available on-line are assets, transactions, cash management and

How this leisure products corporation chose Philadelphia as home base for its benefit plans...

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In 1978, Leisure Corporation† moved into the majors as a manufacturer of sports equipment, accessories, and clothing.

Early in the game, Leisure Corporation knew that what they needed for their burgeoning pension plan was a Master Trustee that could provide convenience, control, consistency, and cost effectiveness.

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They chose First Pennsylvania Bank.

The starting lineup.

When Leisure Corporation and First Pennsylvania became a team, things were simple: one plan, one trustee, and two outside investment advisors. First Pennsylvania provided monthly reports on an *accrual* and consolidated basis.

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Leisure Corporation made a long series of changes and diversifications to its plan between 1979 and 1986, using a total of eight different investment managers. But with constant consultation and a clear understanding of Leisure Corporation's goals, First Pennsylvania has been determining and filling every need as it arises—quickly, easily, and cost effectively.

The top of the ninth.

Very soon, Leisure Corporation plans to add a ninth investment manager. And First Pennsylvania will bring another of its special tools into play by providing fully collateralized Securities Lending.

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†Leisure Corporation is a fictional entity, but all services provided and manner of provision are based on actual cases.

First Pennsylvania Bank

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forecasting, performance measurement and participant record-keeping, with download capabilities and benefit payments.

New features include on-line benefit payments; securities lending with 100% indemnification; enhanced performance measurement and analytics with on-line capabilities; S&P 500 index fund; index tilts; enhanced pension payment system; and expanded master trust client reporting.

Fees are based on a percentage of market value and transaction charges.

The client contact is David Pittman, senior vice president and director-trust corporation institutional marketing.

First Trust Co. Inc.

180 E. Fifth St., St. Paul, Minn. 55101; (612) 223-7788

Master trust assets	$4,000,000,000
Master custodial assets	$400,000,000
Master trust clients	15
Master custodial clients	6
Account supervisors	8

First Trust Co.'s master trust assets rose $1 billion as of June 30 from the previous year; master custodial assets decreased $250 million.

The size of the largest master trust account is $2.5 billion; the smallest is $25 million.

The primary accounting method is trade date; settlement date also is offered.

Basic master trust services include securities settlement; custody and servicing; full accrual accounting; automated cash management; portfolio review; performance measurement; ERISA reporting; and benefit disbursement.

Optional services include TUCS; securities lending; participant accounting; index fund; and on-line service.

Transaction reports are available the day after month's end. Asset and liability reports are available in 10 business days and performance measurement reports, in 15 business days.

Reports available on-line include TUCS performance; asset reports with current market value; cash balances; pending transactions and transaction histories and benefit disbursing. On-line capabilities include inquiry and data input.

New features include access to an inquiry system using a fourth-generation language via remote log-on. The menu-driven system can be downloaded to a personal computer. On-line access is available to performance measurement; asset position; current asset allocation by manager or composites; statistical analysis of the portfolio; derivative exposure; issue holders; volatility measures; fundamental characteristics of the portfolio; portfolio diversification; and risk measurement.

Fees are calculated as a percentage of assets. There also is a charge per transaction.

The client contact is Michael W. Kellogg.

First Wachovia

301 N. Main St., Winston-Salem, N.C. 27150; (919) 770-6348

Master trust assets	$23,669,000,000
Master custodial assets	$4,048,000,000
Master trust clients	57
Master custodial clients	8
Account supervisors	16

First Wachovia's master trust assets rose $2.3 billion as of June 30 from the previous year; master custodial assets increased $40 million.

The size of the largest master trust account is $8.2 billion; the smallest is $8 million.

The primary accounting method is full accrual trade date adjusted. Settlement date also is offered.

Basic master trust services include custody of assets; benefit payments; ERISA reporting; cash management; fail float analysis; monthly reporting; plan accounting; on-line inquiry; and legal administrative guidance.

Optional services include securities lending; global custody; asset allocation; options and futures processing; participant record-keeping; performance measurement; portfolio analysis and comparative performance; and customized reporting.

Monthly transaction reports are available five business days after the end of a period; asset and liability reports are available in 10 business days; and performance measurement reports, 12 business days. All reports are available on-line.

New features include downloading; enhanced participant record-keeping; new on-line reports; and rabbi trust administration and consulting.

Fees are based on a combination of market value and specific services provided.

The client contact is Jane B. Fisher.

The largest real estate advisers will be profiled Sept. 21.

First Wisconsin Trust Co.

777 E. Wisconsin, P.O. Box 2054, Milwaukee, Wis. 53201; (414) 765-4444

Master trust assets	$2,125,000,000
Master custodial assets	$1,735,000,000
Master trust clients	33
Master custodial clients	6
Account supervisors	7

First Wisconsin Trust Co.'s master trust assets rose $254 million as of June 30 from the previous year; master custodial assets increased $505 million.

The size of the largest master trust account is $1.3 billion; the smallest is $2.6 million.

The primary accounting method is trade date with full accrual.

Basic master trust services include plan accounting; care and custody of assets; transaction processing; cash management; accounting statements; and investment reviews.

Optional services include on-line access; performance measurement; securities lending; and benefit payments.

Monthly transaction reports are available two to three business days after the end of a period; asset and liability reports are available in seven to nine business days; and performance measurement reports, in 10 to 12 business days.

Monthly transaction reports and asset and liability reports are available on-line.

New features include derivative accounting.

Fees are based on market value and individual services.

The client contact is Mark Kimla.

Guaranty Trust Co. of Canada

335 Bay St., 11th Floor, Toronto, Ontario M5H 3N8; (416) 975-4966

Master trust assets	$907,000,000
Master trust clients	25
Account supervisors	4

Guaranty Trust Co. of Canada's largest master trust account is $265 million; the smallest is $752,000. All figures are in U.S. dollars.

The primary accounting method is settlement date; trade date reporting also is offered.

Basic master trust services are in-

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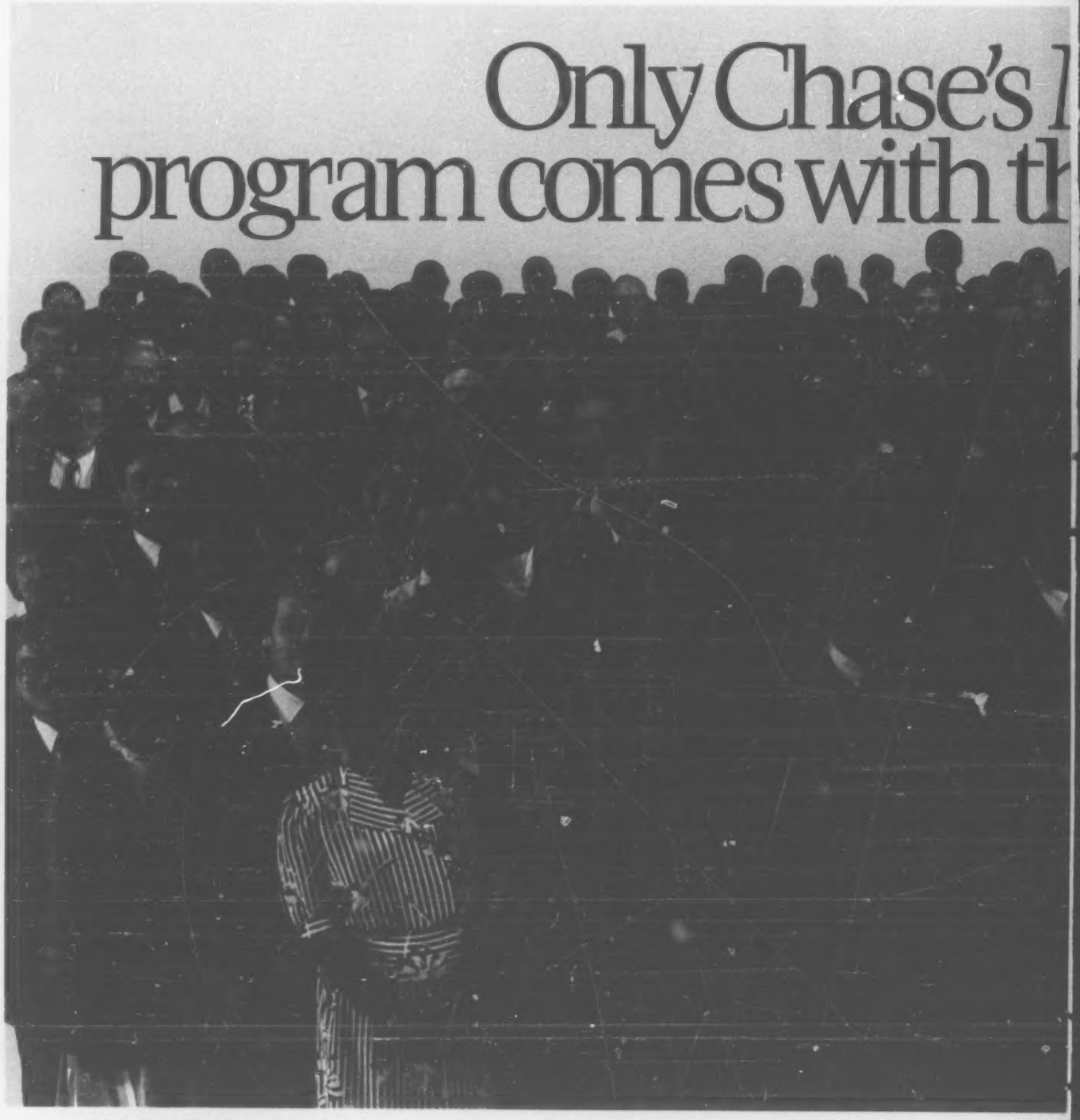

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This skilled staff is the perfect complement to

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come accruals; unitized accounting and consolidated reporting; cash management; portfolio analysis; performance measurement; report customization; legal administrative guidance; benefit disbursing; participant record-keeping; securities lending; investment management consulting; and options and futures processing.

Monthly transaction reports, asset and liability reports and performance measurement reports are available 10 days after the end of a period. Performance measurement reports are available on-line.

Fees are based on book value and the number of plans.

The client contact is Doug Wannamaker, vice president-corporate services.

Harris Trust and Savings Bank

111 W. Monroe St., Chicago, Ill. 60603; (312) 461-2121

Master trust assets	$35,600,000,000
Master custodial assets	$1,089,000,000
Master trust clients	60
Master custodial clients	4
Account supervisors	7

Harris Trust and Savings Bank's master trust assets rose $5 billion as of June 30 from the previous year; master custodial assets increased $100 million.

The size of the largest master trust account is $10.5 billion; the smallest is $11 million.

The primary accounting method used is cash/settlement date. Accrual/trade date also is offered.

Basic master trust services include investment manager relations; income collection; cash sweep and investment; financial accounting; consolidated reporting; and performance measurement.

Optional services include global custody; benefit payments; securities lending; record-keeping; on-line access; custom reporting; investment consulting and analytics; TUCS; and systematic investment management.

Monthly transaction reports are available two to three business days after the end of a period; asset and liability reports are available in three to seven business days; and performance measurement reports, in 12 to 15 business days. Asset reports, transaction reports, short-term investment positions, broker commission reports, cusip number (ticker) reports, daily trading price range, market change, and performance measurement and analytics are available on-line.

New features include custom cash management and flexible, on-line reporting.

Fees are based on a combination of market value and individual services.

The client contact is Walter J. Kowalczyk.

International Trust Co.

Royal Bank Plaza, North Tower, P.O. Box 75, Toronto, Ontario M5J 2J2; (416) 865-0515

Master trust assets	$2,857,000,000
Master trust clients	20
Account supervisors	6

International Trust Co.'s master trust assets rose $827 million as of June 30 from the previous year. All figures are in U.S. dollars.

The size of the largest master trust account is $752 million; the smallest is $2.6 million.

The primary accounting method is settlement date. Trade date also is offered.

Basic master trust services are trusteeship; custodian; collection of income; settled trades; asset valuation; and full plan accounting.

Optional services include STIF; securities lending; participant record keeping; various pooled funds; global services; and benefit payments.

Monthly transaction reports are available the first business day after the end of the period; asset and liability reports are available in six days; and performance measurement reports, in 10 days. All are available on-line.

Fees vary according to client involvement.

The client contact is William Pascoe.

Irving Trust Co.

1 Wall St., New York, N.Y. 10015; (212) 635-1720

Master trust assets	$15,500,000,000
Master custodial assets	$37,000,000,000
Master trust clients	32
Master custodial clients	41
Account supervisors	53

Irving Trust Co.'s master trust assets rose $3.5 billion as of June 30 from the previous year; master custodial assets increased $6 billion.

The size of the largest master trust account is $3.5 billion; the smallest is $16 million.

The primary accounting method is fully accrued trade date; settlement date also is offered.

Basic master trust services include transaction clearance; asset custody; reporting; zero balance cash management; fail float investment credit; and contractual settlement.

Optional services include performance analytics and consulting; securities lending; global custody; specialized short-term investment funds; investment management; and on-line portfolio status.

Monthly transaction reports, asset and liability reports and performance measurement reports are available five days after the end of a period. All are available on-line.

New features include PC-based securities communication and reporting system, a benefit disbursement system and hardware and software.

Fees are based on transactions and market value.

The client contact is P.L. McNamara, vice president.

Manufacturers Hanover Trust Co.

530 Fifth Ave., New York, N.Y. 10036; (212) 819-1580

Master trust assets	$21,000,000,000
Master custodial assets	$8,668,000,000
Master trust clients	87
Master custodial clients	30
Account supervisors	22

Manufacturers Hanover Trust Co.'s master trust assets rose $2.2 billion as of June 30 from the previous year; master custodial assets increased $668 million.

The size of the largest master trust account is $5.2 billion; the smallest is $2 million.

The primary accounting methods are trade date, settlement date, actual settlement date and full accrual.

Basic master trust services include full administrative services; legal administrative guidance; comprehensive monthly reports at the manager/plan and master trust levels; zero-balance cash management; fail float protection; options and futures processing; and ERISA reporting.

Optional services include benefit disbursing and related tax reporting; plan accounting; participant record-keeping; DRIP service; securities lending; performance measurement; TUCS; asset allocation/asset liability

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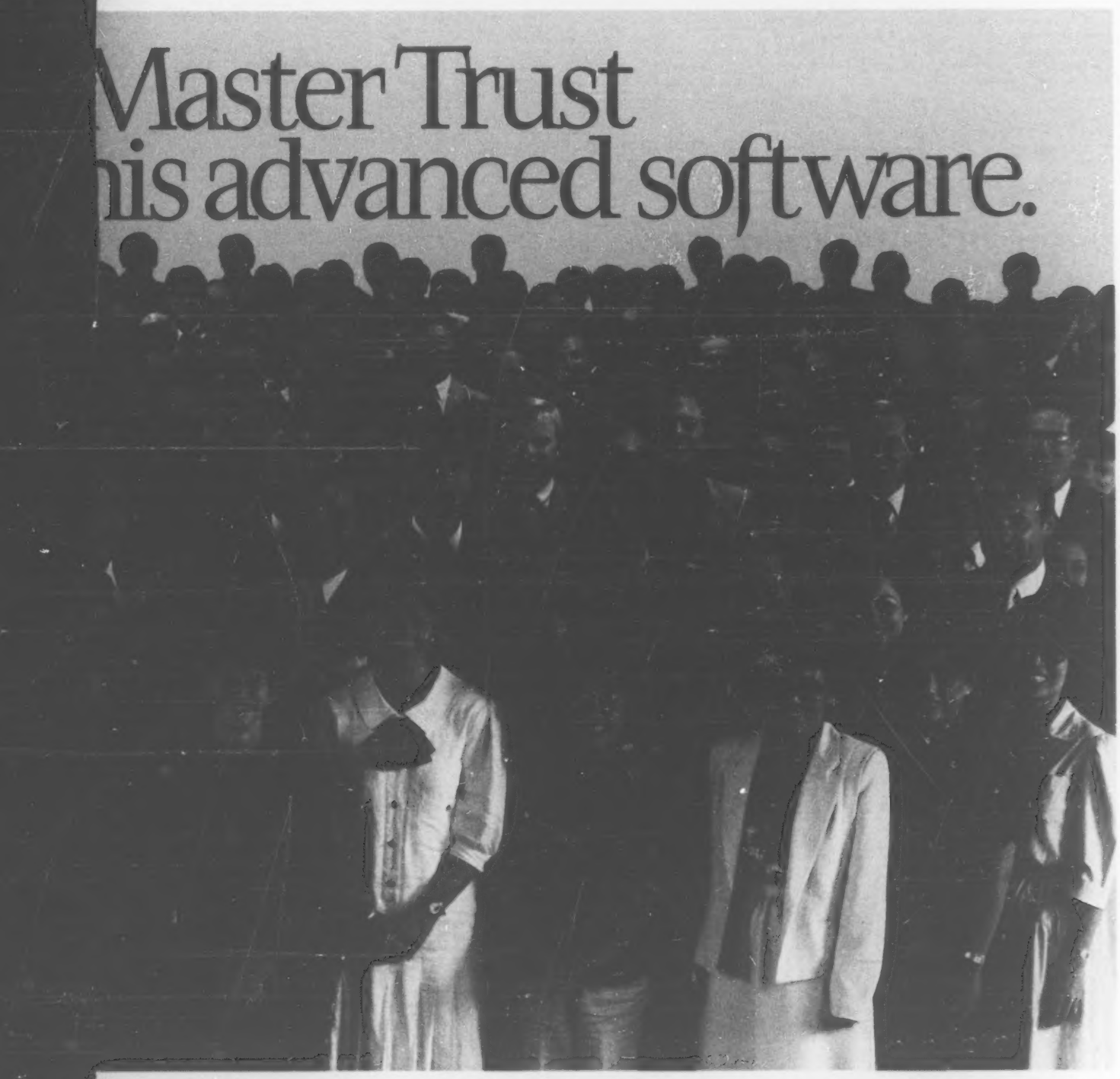

our state-of-the-art technology. Advances like TITAN,℠ the Trust Information and Transaction Accounting Network, deliver up-to-date information on line, on demand. So you can call up current information yourself by account or individual security.

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planning; actuarial services; global custody; customized reporting; investment products; and on-line accounting and reporting.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available five to seven business days; and performance measurement reports, eight to 10 business days. All are available on-line.

New features include asset allocation/asset liability planning and actuarial services.

Fees are based on a combination of asset values and individual services.

The client contact is Renee San Marco, vice president.

Manufacturers National Bank of Detroit

100 Renaissance Center, Detroit, Mich. 48243; (313) 222-4470

Master trust assets	$13,397,000,000
Master custodial assets	$2,645,000,000
Master trust clients	13
Master custodial clients	15
Account supervisors	6

Manufacturers National Bank of Detroit's master trust assets rose $372 million in the six months ended June 30; master custodial assets increased $208 million.

The size of the largest master trust account is $12.8 billion; the smallest is $4.95 million.

The primary accounting method is settlement date with trade date accruals.

Basic master trust services include monthly remittances of accumulated income; monthly cash and asset statements; annual summary accounting; and complete custodial services.

Optional services are cash management; securities lending; performance measurement; benefit payments; and participant record-keeping.

Monthly transaction and asset and liability reports are available five business days after the end of a period; performance measurement reports are available in four weeks.

Transaction reports, listing of assets, cash projections, available cash, tax lots for an asset, market values of assets and pending trades are available on-line.

New features include a bond index fund.

The client contact is Robert R. Schoonbeck.

Marine Midland Bank

250 Park Ave., New York, N.Y. 10177; (212) 503-2724

Master trust assets	$1,800,000,000
Master custodial assets	$600,000,000
Master trust clients	30
Master custodial clients	40
Account supervisors	10

Marine Midland Bank's master trust assets rose $300 million as of June 30 from the previous year.

The size of the largest master trust account is $650 million; the smallest is $1 million.

The primary accounting method is accrual. Cash, modified cash and tax lot accounting also are offered.

Basic master trust services include trusteeship; safekeeping; income collection; effecting corporate actions; accounting reports; cash management; and ERISA and FASB reports.

Optional services include participant record-keeping; benefit payments; performance measurement; investment management; and securities lending.

Monthly transaction and asset reports are available five days after the end of a period. Performance measurement reports are available in 15 days. Pending trades, cash management information and asset lists are available on-line.

Fees are based on a combination of market value and complexity.

The client contact is Moira L. Patterson, assistant vice president.

Marshall & Ilsley Trust Co.

770 N. Water St., Milwaukee, Wis. 53202; (414) 287-7187

Master trust assets	$1,750,000,000
Master custodial assets	$1,850,000,000
Master trust clients	35
Master custodial clients	5
Account supervisors	9

Marshall & Ilsley Trust Co.'s master trust assets rose $50 million as of June 30 from the previous year; master custodial assets also increased $50 million.

The size of the largest master trust account is $1.5 billion; the smallest is $3 million.

The primary accounting method is accrual.

Basic master trust services include performance measurement; participant record-keeping; ERISA disclosure; benefit disbursement; and investment management.

Optional services include on-line access to trust account, participant record-keeping and pension benefit information.

Monthly transaction reports, asset and liability reports and performance measurement reports are available five to seven business days after the end of a period. Asset and liability reports and transaction reports are available on-line.

New features include on-line participant record-keeping and benefit information, and automated trades.

Fees are based on a combination of asset value and individual services.

The client contact is Morry L. Birnbaum.

Mellon Bank

1 Mellon Bank Center, Pittsburgh, Pa. 15258; (412) 234-5000

Master trust assets	$86,289,000,000
Master custodial assets	$11,910,000,000
Master trust clients	88
Master custodial clients	10
Account supervisors	14

Mellon Bank's master trust assets increased $10.1 billion as of June 30 from the previous year; master custodial assets increased $6.8 billion.

The size of the largest master trust account is $12.53 billion; the smallest is $2 million.

The primary accounting method offered is trade date, fully accrued. Cash accounting also is available.

Basic master trust services include automated cash sweep; conversion; administration; cash management; and accounting and reporting.

Optional services are securities lending; global custody; participant record-keeping; pension disbursement; performance measurement; options and futures; and on-line service.

Monthly transaction reports are available three days after the end of a period; asset and liability reports are available in three to five days; and performance measurement reports, in three to five weeks. All are available on-line.

New features include a mutual fund valuation system and enhanced on-line analytics.

Fees are based on a combination of asset value, individual services and account activity.

The client contact is Gary A. Rothman.

Mercantile-Safe Deposit & Trust Co.

2 Hopkins Plaza, P.O. Box 2257, Baltimore, Md. 21203; (301) 237-5551

Master trust assets	$2,200,000,000
Master custodial assets	$1,900,000,000
Master trust clients	17
Master custodial clients	3
Account supervisors	5

Mercantile-Safe Deposit & Trust Co.'s largest master trust account is $800 million; the smallest is $2 million.

The primary accounting method is settlement date.

Basic master trust services include depository participation; benefit payments; option transactions; securities lending; cash management; investment analysis; investment performance measurement; ERISA reporting; and brokerage reporting.

Hard-copy reports are delivered in five to 10 business days.

Fees are based on asset value and income collected.

The client contact is H. Louis French, vice president.

The investment consultants profile issue will be published Nov. 16.

Pensions & Investment Age's Fall 1987 Coverage is looking brighter than ever. . .

Issue Date: September 21st
Advertising Closing: September 9th
. . . Property (which includes The Directory of Real Estate Advisers)
. . . Quantitative Investment Management

Issue Date: October 5th
Advertising Closing: September 23rd
. . . 3rd Quarter Investment Bank Rankings
. . . Special Report: Divestiture
. . . Special Report: Third World Debt

Issue Date: October 19th
Advertising Closing: October 7th
. . . Defined Contribution Plans

Issue Date: November 2nd
Advertising Closing: October 21st
. . . Cash Survey

Issue Date: November 16th
Advertising Closing: November 4th
. . . Consultants Directory
. . . 3rd Quarter P.I.P.E.R.

Issue Date: November 30th
Advertising Closing: November 16th
. . . Public Funds
. . . P.I.P.E.R./International, Real Estate, Special Equity

Issue Date: December 14th
Advertising Closing: December 2nd
. . . The best and the brightest money managers

Issue Date: December 28th
Advertising Closing: December 14th
. . . 1987 Highlights/1988 Outlook
. . . Best bets for 1988
. . . The Book of Lists

Montreal Trust

15 King St. W., Toronto, Ontario M5H 1B4; (416) 862-5649

Master trust assets	$5,691,000,000
Master trust clients	82
Account supervisors	9

Montreal Trust's master trust assets increased $1.46 billion as of March 31 from the previous year. All figures are in U.S. dollars.

The size of the largest master trust account is $813 million; the smallest is $1.5 million.

The primary accounting method is settlement date.

Basic master trust services are corporate trusteeship for consolidated pension funds; consolidated accounting; government reporting; automatic crediting and allocation of dividends and interest; trust documentation; benefit payments services; securities lending; global custody; options processing; on-line and microcomputer reporting; and index and STIF funds.

Monthly transaction reports and asset and liability reports are available 10 days after the end of a period; performance measurement reports are available in 15 days. Basic accounting and portfolio data are available on-line.

Fees are based on average book value.

The client contact is Ray La Force, vice president.

National Bank of Detroit

611 Woodward Ave., Detroit, Mich. 48226; (313) 225-2660

Master trust assets	$28,000,000,000
Master trust clients	115
Account supervisors	10

National Bank of Detroit's master trust and master custodial assets rose $6.3 billion as of June 30 from the previous year.

The size of the largest account is $8.5 billion.

The primary accounting method is cash; accrual also is offered.

Basic master trust services include custody and guaranteed safekeeping; full DTC and ID system services; ERISA compliance; and daily pricing.

Optional services include benefit disbursement; cash management; performance measurement; portfolio review; securities lending; global custody; and data monitor (on-line access).

Monthly transaction reports are available five to seven business days after the end of a period; asset and liability reports and performance measurement reports are available within five to 30 business days after the end of a period.

Cash statements, inventories, annual reports and performance reports are available on-line.

Fees are based on asset value, accounts and transactions.

The client contact is Larry D. Rankens.

National Trust Co.

21 King St. E., Toronto, Ontario M5C 1B3; (416) 361-3842

Master trust assets	$5,263,000,000
Master trust clients	95
Account supervisors	8

National Trust Co.'s master trust assets rose $1.42 billion as of June 30 from the previous year. All figures are in U.S. dollars.

The size of the largest master trust account is $2.63 billion; the smallest is $752 million.

The primary accounting method is contractual settlement date with pending adjustment.

Basic master trust services are master trust reporting; benefit disbursements; income collection; and safekeeping of securities.

Optional services include performance measurement; securities lending; index fund; STIF; global fund; on-line inquiry; and downloading.

Monthly transaction reports are available five business days after the end of a period; asset and liability reports are available in 10 business days; and performance measurement reports, in 12 business days. Monthly statement of accounts and monthly market valuations are available on-line.

New features include cash sweeps for client-directed cash management and active securities lending.

Fees are based on a combination of asset value and individual services. Client contact is Julie K. Spergel.

The Northern Trust Co.

50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-6000

Master trust assets	$67,330,000,000
Master custodial assets	$41,812,000,000
Master trust clients	156
Master custodial clients	71
Account supervisors	45

The Northern Trust Co.'s master trust assets rose $10.24 billion as of June 30 from the previous year; master custodial assets rose $6.8 billion.

The largest master trust account is $6 billion; the smallest is $9.9 million.

The primary accounting method is settlement date, fully accrued; trade date reporting also is offered.

Basic master trust services are administration; custody of assets; trade settlement; income collections; daily pricing; coding; capital structures changes; automated tax lot accounting; investment reports; and automated cash sweep.

Optional services are global custody; electronic delivery system; cash investments; structured investments, such as asset allocation control, cash synthetic programs, portfolio restructuring, portfolio insurance, equity index funds and fixed-income funds; traditional investments; performance measurement; securities lending; benefit disbursement; participant record-keeping; options and futures accounting; and plan accounting.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available in five business days; and performance measurement reports, in 15 to 25 days. All accounting and performance analysis information is available on-line. Clients can create customized reports and download all information to their PCs.

New features include performance measurement; structured investments, such as a Japan index fund and enhanced fixed-income and balanced funds; and three cash management programs.

Fees are based on the number of investment managers, number and types of transactions and the market value of assets.

The client contact is Thomas W. Kimen Jr.

Norwest Bank Minneapolis

8th and Marquette, Minneapolis, Minn. 55424; (612) 372-0694

Master trust assets	$2,600,000,000
Master custodial assets	$700,000,000
Master trust clients	23
Master custodial clients	4
Account supervisors	11

Norwest Bank Minneapolis' master

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trust assets rose $600 million as of June 30 from the previous year; master custodial assets increased $100 million.

The size of the largest master trust account is $650 million; the smallest is $2 million. The primary accounting method is trade date; settlement date also is offered.

Basic master trust services are cash management; plan accounting; performance measurement; ERISA reporting; and asset/transaction reports.

Optional services are TUCS; asset allocation; securities lending; benefit payments; investment services; and on-line access.

Monthly transaction reports and asset and liability reports are available 10 days after the end of a period; performance measurement reports are available in 15 business days. Transaction, pending trade, income projection and asset reports are available on-line.

Fees are based on assets, transactions and specific charges.

The client contact is Roger Birkholz.

Royal Trust Corp. of Canada

P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9; (416) 864-6395

Master trust assets	$16,876,000,000
Master trust clients	133
Account supervisors	14

Royal Trust Corp. of Canada's master trust assets rose $4.49 billion as of June 30 from the previous year. All figures are in U.S. dollars.

Settlement date is the primary accounting method used. Full adjustment to trade date in fund financial statements also is offered.

Basic master trust services are safe custody; Canadian, U.S. and overseas settlement; corporate changes; compliance monitoring; income anticipation; expiry date notification; check or EFT benefit payments; full financial reporting; and return calculations.

Optional services are performance measurement and analysis; securities lending; on-line data entry/inquiry; downloading; asset/liability forecasting; global custody; and domestic and foreign management.

Monthly transaction reports are available five business days after the end of a period; asset and liability reports are available in 10 to 20 business days; and performance measurement reports, in seven weeks. Transactions, assets, trade status, cash forecasting and asset valuations and analysis are available on-line.

New features include expanded on-line capabilities; asset/liability forecasting with CICA/FASB '87 capabilities (Prediktor 4).

Fees are based on asset value plus transactions and reports charges.

The client contact is M. Fraser Blakely, vice president-pension and custodial services.

Security Pacific

Security Pacific

333 S. Grand Ave., Suite 1740, Los Angeles, Calif. 90071; (213) 229-2999

Master trust assets	$3,200,000,000
Master custodial assets	$35,000,000,000
Master trust clients	12
Master custodial clients	30
Account supervisors	5

Security Pacific's master trust assets rose $500 million as of June 30 from the previous year; master custodial assets increased $10 billion.

The largest master trust account is $1.1 billion; the smallest is $4.5 million.

The primary accounting method is trade date/full accrual; contractual settlement date/cash basis accounting also is offered.

Basic master trust services are benefit payments; securities lending; performance measurement; on-line inquiry; analytics; global custody; customized reporting; ERISA reporting; PC workstation; unitized accounting; and asset liability reports.

Optional services include performance measurement reporting; benefit payments; analytics; and securities lending.

Monthly transaction reports are available one day after the end of a period; asset and liability reports are available in five to seven days; and performance measurement reports in 15 to 21 days. All are available on-line.

New features include automating trade instructions, expanded download and report writer.

Fees are based on market value and activity.

The client contact is Brad Marcus, senior vice president and director-marketing and sales.

State Street Bank and Trust

P.O. Box 1992, Boston, Mass. 02101; (617) 847-7490

Master trust assets	$93,185,000,000
Master custodial assets	$97,705,000,000
Master trust clients	143
Master custodial clients	67
Account supervisors	56

State Street Bank and Trust Co.'s master trust assets rose $64.15 billion as of June 30 from the previous year; master custodial assets increased $32.57 billion.

The size of the largest master trust account is $22 billion; the smallest is $1 million.

The primary accounting method is true trade date, full accrual.

Basic master trust services are safekeeping of assets; cash management; settlement and control of all trades; corporate action monitoring; determination and collection of income; cash availability reporting; accounting for options, futures and real estate; interactive general ledger accounting; DTC and FBE participation; on-line institutional delivery system; daily, weekly or monthly valuation of assets; fiduciary control; plan accounting; 401(k) capabilities; and securities lending.

Optional services include global custody, with full, multicurrency accounting, record keeping and reporting services; on-line client services; and analytics, including rate of return indexes, performance attribution, minimizing misfit, creating a target portfolio and customized reporting; and asset management.

Monthly transaction reports are available three to seven business days after the end of a period; asset and liability reports are available in five to seven business days; and performance measurement reports, in seven to nine business days. All reports are available on-line.

New features are a portfolio accounting and settlement system; enhancements to global custody services; on-line client services; and analytics futures and options processing.

Fees are based on asset value, portfolio structure and trading volumes. Optional services are priced separately.

The client contacts are John Houlihan and J.D. Nelson (for public funds), senior vice presidents.

Trust Co. Bank

P.O. Box 4655, Atlanta, Ga. 30302; (404) 588-7319

Master trust assets	$941,000,000
Master custodial assets	$1,313,000,000
Master trust clients	12
Master custodial clients	4
Account supervisors	4

Trust Co. Bank's master trust assets rose $491 million as of June 30 from the previous year; master custodial assets increased $613 million.

The largest master trust account is $750 million; the smallest is $7 million.

The primary accounting method is trade date; contractual settlement date also is offered.

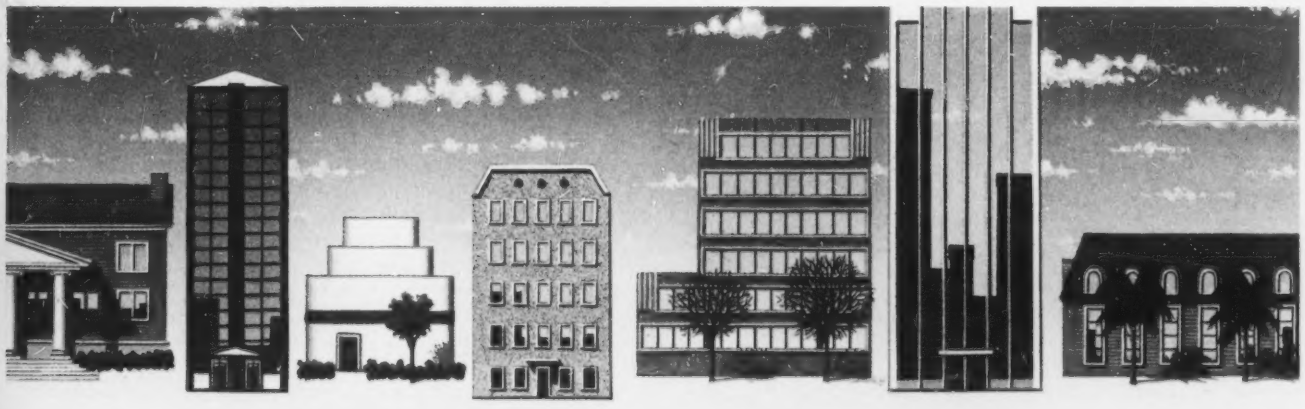
Basic master trust services are trade settlement; security safekeeping; account statements; investment reports; global custody; cash management; and options and futures processing.

Optional services are performance measurement; securities lending; on-line access; participant record-keeping; and benefit payments.

Monthly transaction and asset and liability reports are available two days after the end of a period; performance measurement reports are available in 25 days. Transaction and asset and liability reports are available on-line.

New features include enhanced performance measurement.

Fees are based on market value, transactions and the number of money managers.



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Directory

The client contact is Paul L. Robertson III, vice president.

United States Trust Co. of New York

45 Wall St., New York, N.Y. 10005; (212) 806-3834

Master trust assets	$12,500,000,000
Master custodial assets	$9,500,000,000
Master trust clients	34
Master custodial clients	85
Account supervisors	9

United States Trust Co. of New York's master trust assets rose $500 million as of June 30 from the previous year; master custodial assets increased $1 billion.

The largest master trust account is $2 billion; the smallest is $2 million.

The primary accounting method is cash, actual settlement.

Basic master trust services are trade processing; safekeeping; dividend and interest collection; statements; monthly valuations; Form 5500 ERISA reports; and annual accounting.

Optional services include securities lending and various investment technologies reports.

Monthly transaction reports are available in two to five days after the end of a period; asset and liability reports are available in two to seven days; and performance measurement reports, in 15 days. Transaction and performance measurement reports are available on-line.

New features include flexible report writing.

Fees are based on market value, number of accounts and transactions.

1987 Canadian master trust banks

Bank	Assets (U.S. $ mils.)
Royal Trust Corp. of Canada	10,874
Montreal Trust	5,971
National Trust	5,553
International Trust	2,857
Guaranty Trust Co. of Canada	907
Total	34,594

The client contact is Robert Pagano, vice president.

Wilmington Trust Co.

Rodney Square North, Wilmington, Del. 19890; (302) 651-1000

Master trust assets	$12,414,000,000
Master custodial assets	$140,000,000
Master trust clients	10
Master custodial clients	1
Account supervisors	4

Wilmington Trust Co.'s master trust assets rose $1.4 billion as of June 30 from the previous year; master custodial assets increased $140 million.

The largest master trust account is $11.4 billion; the smallest is $2 million.

The primary accounting method used is trade date, fully accrued. Contractual settlement date accounting also is offered.

Basic master trust services include custody; cash management; master trust reporting; and options and futures processing.

Optional services are investment and analytic services; on-line access; securities lending; global custody; pension disbursement; and participant record-keeping.

Monthly transaction reports are available one day after the end of a period; asset and liability reports are available in two days; and performance measurement reports, in 14 days. Monthly transaction and asset and liability reports are available on-line.

New features include expanded on-line access capabilities; dedicated collective funds; and foreign securities lending.

Fees are based on asset value and specific services provided.

The client contact is Barbara A. Uberti.

Assets hit . . .

Continued from page 36

the "public side is still bubbling," Mr. Golz said.

In April, State Street was named custodian for the $25.6 billion California State Teachers' Retirement System, Sacramento, as part of the fund's three-year investment management plan.

"We wanted a large custodian whose system wouldn't be overstressed by an account of our size," said Sandra Martin-King, assistant chief executive officer-investments of the California fund.

As in the master trust arena, the 10 largest master custodians control most of the market — 86.7%, the *P&I Age* data indicated.

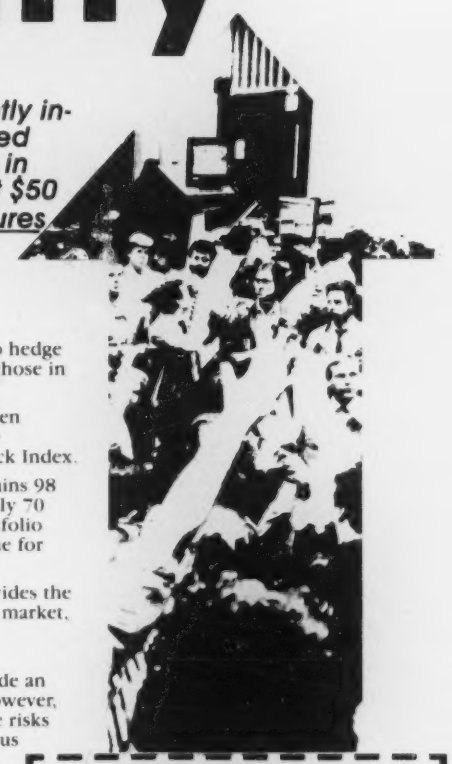
State Street's market share is 16.1%. Chase Manhattan (14%); Citibank, New York, (12%); Boston Safe Deposit & Trust Co. (8.7%); and Bank of New York (8.5%), rounded out the top five.

Meanwhile, regional banks have been making inroads in the master custody market, according to James F. McHale, senior vice president of First Pennsylvania Bank, Philadelphia. First Pennsylvania is prepared to take business away from the larger players, particularly big New York banks, Mr. McHale said.

Boston Safe Deposit was the fastest growing master custodian during the period, however, amassing $53.2 billion is assets, up from $5.6 billion a year ago.

Boston's rise into the upper echelon of master custody banks was fueled by its December acquisition of the $30 billion California Public Employees' Retirement System account. ■

Nifty fifty



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The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on special equity and international funds at more than 50 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

Oil price hike heats up special equities

By Jacqueline Dutton

A $2-per-barrel boost in crude oil prices during the second quarter provided the fuel for the top special equity fund return in Pensions & Investments' Performance Evaluation Report for the period ended June 30.

The $35 million Citicorp Investment Management Inc. Resources Fund, which invests in natural resource companies, also had the second-best performance for the year ended June 30.

"Basically we positioned ourselves so we could take advantage of the appearance that OPEC was pulling itself together and effectively managing its output," said Richard Collins, manager of the resource fund. "We were also becoming concerned with the rising tension in the Middle East and had the perception that a cutoff of supply there could lead to higher prices."

The timing paid off for the fund — which returned 8.3% for the second quarter and 39.2% for the 12-month period — as oil prices climbed from $18 a barrel on April 1 to $20 a barrel June 30.

The fund's performance was more impressive when compared with the market benchmark than the returns generated by the median manager in PIPER's universe of 102 managers. In all periods measured except the 10-year period, fewer than 10 money managers were able to beat Standard & Poor's 500 stock index.

The median manager in the PIPER universe returned 0.3% for the second quarter, while the S&P returned 5%. For the 12-month period, the median return was 13.4%, compared to 25.2% for the S&P index.

Along with the Citicorp Resources Fund, funds beating the index in the second quarter were: E.F. Hutton Trust Co., Wilmington, Del., Growth Fund B, 7.6%; Citicorp Special Situation Fund, 5.6%; Shawmut Bank of Boston, Target Equity Fund, 5.5%; First National Bank of Chicago, Institutional Special Fund, 5.5%; Chemical Bank, New York, Value Fund, 5.4%; and First National Bank of Boston, Equity Yield Fund, 5.3%.

Mr. Collins said because the fund's managers believed oil prices were climbing, they acquired stocks in companies they believed would benefit from the gains. Some of their picks were **Atlantic Richfield Co.**, **British Petroleum Co. PLC**, **Royal Dutch Petroleum Co.**, and **Anadarko Petroleum Corp.** The fund also benefited from investments in **Standard Oil Co.**, which was taken over by British Petroleum during the period, and **Schlumberger Ltd.**, in the oil service sector.

In addition, the fund held stock in both **Pennzoil Co.** and **Texaco Inc.** to hedge against the outcome of the legal battle between the two companies.

But a positive outlook for oil prices — which have since plummeted — wasn't the only factor behind the stock selections made for the fund over the past 12 months. Mr. Collins said a belief that inflation would cause an increase in the price of mineral stocks led to investments in **Alcan Aluminum Ltd.**, **Reynolds Metals Co.**, **LAC Minerals Ltd.** and **American Barrick Resources Corp.**

Another Citicorp fund was also a top performer for the second quarter. The $125 million Special Situation Fund returned 5.6% to place third.

Ted Ujazeowski, Citicorp vice president and manager of the fund, said the diversified, value-seeking fund did especially well during the second quarter with its mix of 25 stocks because of weightings in the media and entertainment industry. Among the holdings were: **Time Inc.**, **LIN Broadcasting**, **Warner Communications** and **Tele-Communications**, the cable TV giant.

"There was an awful lot of inherent value in the cable industry," Mr. Ujazeowski said. "The cash flows that are being generated by cable television networks are very large right now, and there is a scarcity in the number of franchises."

He said franchise dominance was also a factor in selection of two gaming industry stocks **Bally Manufacturing Corp.** and **Resorts International Inc.**

The only fund that outperformed Citicorp's resource fund for the one-year period was First RepublicBank's $12 million select equity fund, which returned a whopping 80.8%. Much of the Dallas-based fund's gain came during the first quarter of 1987 when it returned 55.8%; its return for the second quarter was y023.2.2%. The fund's return for the year ended March 31 was 108.9% (*Pensions & Investment Age*, June 1).

Edward Anderson, chairman of the bank's investment arm, First Republic Asset Management Co., said the fund's recent choices have been. **Ashton-Tate**, a software and data processing firm; **Old Republic International Corp.**, an insurance firm; **American Bankers Insurance Group**; and **Shearson Lehman Brothers Holdings Inc**.

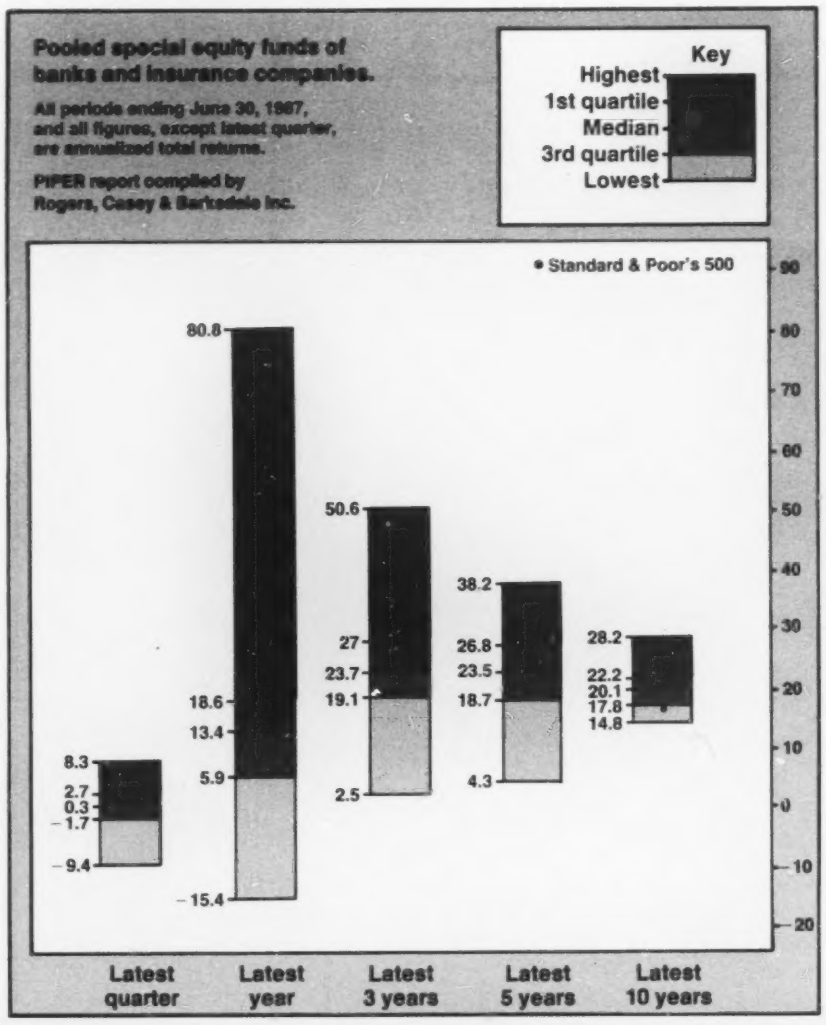
Citicorp wasn't the only firm with two funds topping the PIPER returns charts. E.F. Hutton Trust Co.'s Growth Fund B and Emerging Growth B fund were leading performers in the second quarter, one-year and the three-year periods.

The emerging growth fund placed third for the one-year period with a 34.8% return. Other funds beating the S&P 500 for the 12 months ended June 30 were First National Bank of Boston, Equity Yield Fund, 29.6%; and Society National Bank of Cleveland, Ohio Regional Equity Fund, 26.5%.

The two E.F. Hutton funds came in first and second in three-year returns, as the growth fund returned 50.6% compound annualized and the emerging growth fund returned 45.9% compound annualized. First RepublicBank's Select Equity fund rounded off the top three with a 44.3% compound annualized return.

The PIPER median return for the three-year period was 23.7%, and the S&P 500 returned 30.6%. Other funds beating the

Continued on page 62



Weak-currency markets a strong play

By Marlene Givant

Concentration on such fast-growing, weak-currency markets as the United Kingdom and Hong Kong aided managers' returns during periods ended June 30, according to the Pensions & Investments' Performance Evaluation Report.

Yet low inflation/strong currency markets such as the Netherlands and West Germany still are favored by many firms.

For the quarter ended June 30, top managers championed Japan's 5.8% correction in June, which dragged down the return of the Morgan Stanley Capital International Europe Australia Far East index. Fifteen of 33 international managers were able to beat the 7.1% return of EAFE, which had 57% in Japan.

The $37 million International Low P/E Fund of Provident Capital Management Inc., Philadelphia — ranked first for the quarter with a 14.2% return — gained 20.1% in the Japanese portion of its portfolio while the Japanese market rose 7.3% in the second quarter. Among the holdings of the firm, which invested 38% in Japan, were **Matsushita Reiki**, the country's largest refrigerator manufacturer, and **Kureha Chemical**.

Provident has since raised Japan exposure to 42% using profits taken in the U.K. market, which comprises 15% of assets as compared with 19% in July, said Sandor Cseh, vice president-international investments.

Ranked second for the quarter with a 14% return, the $130 million International Equity Fund of Bankers Trust — Investment Management Group, New York, was heavy in Japan compared with other managers, with a 30.2% weighting.

The firm is beginning to overweight "hard currency" markets such as Germany and Switzerland and heavily overweights the Pacific Basin markets of Hong Kong, Singapore and Malaysia.

Because it expects oil prices to rise, BT invests in Australia and Canada for natural resource stocks. It also likes oil-related chemical stocks like Belgium's **Solvay** and Italy's **Montedison**.

The International Equity fund of CIGNA Corp., Hartford, Conn., ranked third for the quarter with an 11.9% return. The asset size was unavailable.

For the year ended June 30, the top fund was the passively managed $140 million International Equity Fund of American National Bank & Trust Co. of Chicago, which earned 65.7% vs. the EAFE's 58.7%.

The top actively managed fund, Marine Midland's $40 million International Equity Fund managed by Wardley Investment Services International Ltd., London, returned 62% for the year.

Wardley had 35% in Japan in domestic demand-oriented sectors such as chemicals, cement and real estate because it believed those industries would gain from the then-decreasing interest rates. Stocks include **Nihon Cement** and **Tokyu Corp.**

Using assets from small Far East markets, it plans to raise its Japan allocation to 50% in the third quarter and raise U.K. exposure to 24%, said Ian Henderson, director.

The firm boosted West Germany's weighting to 10% from 2% during the quarter because it believed the dollar would firm. Now, as the deutsche mark strengthens, it plans to eliminate German exposure and reduce the allocation to hard currency markets like Switzerland and the Netherlands.

Wardley invests 4% in New Zealand largely because of low price-earnings ratios and good growth prospects.

Ranked third for the year with a 60.2% return was the passively managed $470 million International Equity Market Fund of Wells Fargo Investment Advisors, San Francisco.

The top manager for the three years with a 61.6% compound annualized return vs. EAFE's 55%, BA Investment Management International Ltd., London, got clobbered in the second quarter with a 2.7% return because it had no Japanese exposure.

It has been out of that market for a year.

Continued on page 63

PIPER tables in this issue

Real estate funds	18
Special equity funds	62
International funds	63

Top quartile commingled special equity funds

3-month returns

	%
Citicorp (Resources), N.Y.	8.3
E.F. Hutton Trust (Gro. B)	7.6
Citicorp (Sp. sit.), N.Y.	5.6
Shawmut Bank (Target), Mass.	5.5
First of Chicago (Inst. sp.)	5.5
Chemical Bank (Value), N.Y.	5.4
First of Boston (Yield)	5.3
Standard & Poor's 500	**5.0**
Bank One, Ohio	4.8
Equitable Life (Gro.), N.Y.	4.3
Nat'l Bank of Detroit (Int. Value F)	4.3
Phoenix Mutual (Gro. S), Conn.	4.0
Comerica Bank, Mich.	3.6
Bank of America, Calif.	3.5
Manufacturers Hanover (Uncom.)	3.4
Old Second Nat'l (HR 10), Ill.	3.3
First Alabama, Mobile	3.3
Seafirst Bank (Northwest), Wash.	3.2
Marsh & McLennan Trust (Putnam)	3.1
General American (II), Mo.	3.0
E.F. Hutton Trust (Gro. B)	3.0
Wachovia Bank (Div. cap.), N.C.	2.8
Society Nat'l (Ohio reg.), Ohio	2.7

1-year returns

	%
First RepublicBank (Sel.), Texas	80.8
Citicorp (Resources), N.Y.	39.2
E.F. Hutton Trust (Emer. B), Del.	34.8
First of Boston (Yield)	29.6
Society Nat'l (Ohio reg.), Ohio	26.5
Manufacturers Hanover (Supp.)	25.2
Standard & Poor's 500	**25.2**
E.F. Hutton Trust (Gro. B), N.Y.	25.2
Nat'l Bank of Detroit (F)	24.9
First Alabama, Mobile	23.1
Harris Trust (Spec. cap.), Ill.	22.4
Texas Commerce	22.2
Oregon Bank (Agg.)	22.1
Morgan Guaranty (Supp.), N.Y.	22.0
Chase Manhattan (Value), N.Y.	21.6
Central Fidelity (Agg.), Va.	21.5
Phoenix Mutual (Gro. S), Conn.	21.4
Bank of America, Calif.	20.0
California First Bank (Supp.)	19.6
Marsh & McLennan (Putnam)	19.5
Manufacturers Hanover (Uncom.)	19.3
Irving Trust (II), N.Y.	18.9
Security Pacific (G), Calif.	18.7

3-year returns

	%
E.F. Hutton Trust (Gro. B), Del.	50.6
E.F. Hutton Trust (Emer. B), Del.	45.9
First RepublicBank (Sel.), Texas	44.3
Fidelity Mgmt. Trust (Agg.), Mass.	36.2
Trust Co. of the West	34.6
Security Pacific (Gro. G), Calif.	33.4
Chase Manhattan (Inter. cap.)	32.1
Manufacturers Hanover (Supp.)	31.2
First of Boston (Yield)	30.9
Standard & Poor's 500	**30.6**
Citicorp (Emer.), N.Y.	29.5
Citicorp (Sp. sit.), N.Y.	29.4
First of Neenah (Income), Wisc.	29.4
Old Second Nat'l (HR 10), Ill.	28.8
Bankers Trust (Supple), N.Y.	27.9
Northern Trust, Ill.	27.5
Metropolitan Life (SA 43)	27.5
LaSalle Nat'l (Small cap.), Ill.	27.3
Society Nat'l (Ohio reg.), Ohio	27.2
Harris Trust (Cap.), Ill.	27.1

5-year returns

	%
Fidelity Mgmt. Trust (Agg.), Mass.	38.2
Security Pacific (G), Calif.	37.6
Citicorp (R.E.), N.Y.	32.9
California First Bank (Supp.)	31.6
Citicorp (Spec. sit.), N.Y.	30.8
Chase Manhattan (Int. cap.)	30.4
Connecticut Nat'l (Supp.)	29.4
First of Boston (Yield)	28.2
Standard & Poor's 500	**27.9**
Society Nat'l (Ohio reg.), Ohio	27.5
Bank of America, Calif.	27.3
Equitable Bank (Spec.), Md.	27.3
Provident Nat'l, Pa.	27.3
Chase Manhattan (Value), N.Y.	27.1
First of Boston (II)	27.0
Bankers Trust (Supp.), N.Y.	27.0

10-year returns

	%
California First Bank (Supp.)	28.2
MTrust (Growth), Texas	26.4
Bankers Trust (Supp.), N.Y.	25.4
Northern Central, Pa.	23.3
First of Maryland	23.0
Chase Manhattan (Int. cap.), N.Y.	22.6
Equitable Bank, Md	22.4
Bank of America, Calif.	22.3
Standard & Poor's 500	**17.2**

The investment consultants directory will run Nov. 16.

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Oil . . .

Continued from page 61

benchmark for the period included: Fidelity Management Trust Co., Boston, Aggressive Equity Fund, 36.2%; Trust Company of the West, Los Angeles, Special Equity Fund, 34.5%; and Security Pacific National Bank, Los Angeles, Growth Fund G, 33.4%.

The $20 million Growth Fund B, which generally seeks high-quality, Fortune 500 stocks, and has an average portfolio of 25 stocks with an annual turnover rate of 300%, favored tobacco and drug companies during the past year.

Steven Kroll, chief executive officer of E.F. Hutton Asset Management and adviser to the trust company fund, said the fund invested 20% of assets over the past year in such tobacco stocks as **Philip Morris Cos. Inc.**, **American Brands Inc.**, **RJR Nabisco Inc.** and **Loews Corp**. Another 25% was invested in drug stocks, including **Squibb Corp.**, **Merck & Co.** and **Schering-Plough Corp**.

Other stock choices were: **F.W. Woolworth**, **Goodyear Tire & Rubber Co.**, **Eastman Kodak Co.**, **USAir Group Inc.**, **Raychem Corp.**, **Colgate-Palmolive Co.**, and **Gillette Co.**, Mr. Kroll said.

The E.F. Hutton Trust Co. Emerging Growth B Fund also goes after high-earnings stocks, but differs in that it targets small-capitalization stocks. Mr. Kroll said the $10 million fund did well in the 12-month period on such diversified stocks as **Integrated Resources Inc.**, a financial services and insurance concern; **Nike Inc.**, a footwear retailer; **Petrie Stores Corp.**; **Budget Rent A Car Corp.**; and **Echo Bay Mines Ltd.**, a gold miner.

The Fidelity Management Trust Co. Aggressive Equity Fund, which had the fourth-highest return over the three-year period, took top honors in the five-year period ended June 30 with a compound annualized return of 38.2%. Right behind was Security Pacific's Growth Fund G, which had a compound annualized return of 37.6%. Third was Citicorp's Real Estate Stock Fund which returned 32.9% compound annualized.

The median fund in the PIPER universe returned 23.5% compound annualized for the five-year period, and the S&P 500 returned 28% compound annualized.

Other funds which outperformed the S&P 500 for the five-year period include: California First Bank, San Diego, Supplemental Equity Fund, 31.6%; Citicorp Special Situation Fund, 30.8%; and The Chase Manhattan Bank, New York, International Capital Equity, 30.4%.

California First Bank's fund scored the highest return over the 10-year period ended June 30, 28.2% compound annualized.

MTrust, Dallas, followed with a 26.4% compound annualized return, and Bankers Trust Co., New York, was next in line with a 25.4% compound annualized return.

The median fund returned 20.1% for the 10-year period, and the S&P 500 returned 17.2%, both annualized.

Other top performers over the 10-year period include the annualized returns of: Northern Central Bank, Williamsport, Pa., Special Equity Fund, 23.3%; First National Bank of Maryland, Baltimore, Special Equity Fund, 23%; Chase Manhattan International Capital Equity Fund, 22.6%; and Equitable Bank, Baltimore, 22.4%. ■

Commingled International

3-month returns

	%
Provident Nat'l (Low p/e), Pa.	14.2
Bankers Trust, N.Y.	14.0
CIGNA Corp., Conn.	11.9
First of Chicago	9.9
Wellington Trust (Pacific basin)	9.7
First RepublicBank (Eq.), Texas	9.5
Marsh & McLennan Trust (Putnam)	9.5
Marine Midland (Eq.), N.Y.	9.3
U.S. Trust (Eq.), N.Y.	9.3
Bessemer Trust (E), N.Y.	8.7
Chase Manhattan (Global eq.)	7.9
Morgan Guaranty (Eq.), N.Y.	7.6
Wells Fargo (Eq.), Calif.	7.6
Centerre Trust (Coll. W), Mo.	7.4
MSCI EAFE Index	**7.1**
State Street Bank (Index), Mass.	7.1
American Nat'l Chicago (Eq.)	6.5
HT Investors (Eq.), R.I.	6.3
IDS Trust (Coll. eq.), Minn.	6.1
MSCI World Index	**6.0**
Citicorp (Eq.), N.Y.	5.2
Aetna MIM (Eq.), Conn.	4.5
Wellington Trust (Eq.), Mass.	3.9
Fidelity Mgmt. Trust (Overseas)	3.6
California First Bank (Eq.)	3.4
Prudential (Print eq.), N.J.	3.0
Bank of America (Eq.), Calif.	2.7
Toledo Trust (Eq.), Ohio	2.7
First of Chicago (Non-dlr. fixed)	1.7
Wellington Trust (Bond), Mass.	1.6
Morgan Guaranty (Bond), N.Y.	1.0
Prudential (Global bond), N.J.	0.3
Prudential (Foreign bond), N.J.	0.3
Citicorp (Fixed), N.Y.	0.0
Bank of America (Fixed), Calif.	−0.9
Toledo Trust (Global bond), Ohio	−1.1

1-year returns

	%
American Nat'l Chicago (Eq.)	65.7
Marine Midland (Eq.), N.Y.	62.0
Wells Fargo (Eq.), Calif.	60.2
Bank of America (Eq.), Calif.	59.6
State Street Bank (Index), Mass.	59.3
MSCI EAFE Index	**58.7**
Wellington Trust (Pacific basin)	58.4
Fidelity Mgmt. Trust (Eq.), Mass.	55.9
Bessemer Trust (E), N.Y.	53.5
Chase Manhattan (Global eq.)	51.5
Bankers Trust (Eq.), N.Y.	50.5
CIGNA Corp. (Eq.), Conn.	49.6
Mellon Bank (Eq.), Pa.	49.2
First of Chicago (Eq.)	48.2
IDS Trust (Coll. eq.), Minn.	45.7
Wellington Trust (Eq.)	43.6
U.S. Trust (Eq.), N.Y.	43.4
MSCI World Index	**43.2**
Prudential (Print eq.), N.J.	42.1
Provident Nat'l (Low p/e), Pa.	41.3
HT Investors (Eq.), R.I.	41.2
Citicorp (Eq.), N.Y.	40.4
Centerre Trust (Col. W.), Mo.	39.9
First RepublicBank (Eq.), Texas	39.2
Morgan Guaranty (Eq.), N.Y.	38.2
Marsh & McLennan (Putnam)	34.4
California First Bank (Eq.)	32.5
Aetna MIM (Eq.), Conn.	31.4
First of Chicago (Non-dlr. fixed)	28.0
Citicorp (Fixed), N.Y.	26.0
Prudential (Foreign bond), N.J.	24.4
Toledo Trust (Eq.), Ohio	24.2
Morgan Guaranty (Bond), N.Y.	21.6
Prudential (Global bond), N.J.	21.6
Toledo Trust (Global bond), Ohio	20.0
Bank of America (Fixed), Calif.	19.8
Wellington Trust (Bond), Mass.	18.2

3-year returns

	%
Bank of America (Eq.), Calif.	61.6
American Nat'l Chicago (Eq.)	55.4
MSCI EAFE Index	**55.0**
Wells Fargo (Eq.), Calif.	53.8
Marine Midland (Eq.), N.Y.	53.5
Bessemer Trust (E), N.Y.	51.5
Bankers Trust (Eq.), N.Y.	50.9
Citicorp (Eq.), N.Y.	49.9
Wellington Trust (Pacific basin)	49.8
CIGNA Corp. (Eq.), Conn.	49.8
Chase Manhattan (Global eq.)	49.1
First of Chicago (Eq.)	48.7
IDS Trust (Coll. eq.), Minn.	48.2
Aetna MIM (Eq.), Conn.	46.6
Wellington Trust (Eq.), Mass.	45.0
Marsh & McLennan (Putnam)	44.4
Centerre Trust (Coll. W), Mo.	44.4
U.S. Trust (Eq.), N.Y.	44.4
First RepublicBank (Eq.), Texas	44.3
Mellon Bank (Eq.), Pa.	43.1
MSCI World Index	**42.1**
Morgan Guaranty (Eq.), N.Y.	41.9
HT Investors (Eq.), R.I.	39.3
Prudential (Global bond), N.J.	34.4
Prudential (Foreign bond), N.J.	29.1
Bank of America (Fixed), Calif.	28.3
First of Chicago (Non-dlr. fixed)	28.0
Citicorp (Fixed), N.Y.	27.6
Morgan Guaranty (Bond), N.Y.	27.0
Wellington Trust (Bond), Mass.	20.2

5-year returns

	%
MSCI EAFE Index	**40.4**
IDS Trust (Eq.), Minn.	39.6
Bankers Trust (Eq.), N.Y.	39.6
Bank of America (Eq.), Calif.	39.6
American Nat'l Chicago (Eq.)	39.1
Wells Fargo (Eq.), Calif.	36.7
Citicorp (Eq.), N.Y.	36.5
First of Chicago (Eq.)	36.2
U.S. Trust (Eq.), N.Y.	36.1
Marsh & McLennan (Putnam)	35.2
Centerre Trust (Col. W), Mo.	34.7
MSCI World Index	**34.0**
Bessemer Trust (E), N.Y.	33.4
Wellington Trust (Eq. port.)	33.3
Morgan Guaranty (Eq.), N.Y.	32.9
Mellon Bank (Eq.), Pa.	32.4
Chase Manhattan (Global eq.)	29.6
First of Chicago (Non-dlr. fixed)	21.1
Morgan Guaranty (Bond), N.Y.	20.0
Bank of America (Fixed), Calif.	19.8
Citicorp (Fixed), N.Y.	18.9

10-year returns

	%
U.S. Trust (Eq.), N.Y.	25.0
MSCI EAFE Index	**24.9**
First of Chicago (Eq.)	22.0
Morgan Guaranty (Eq.), N.Y.	21.4
MSCI World Index	**20.5**

Play . . .

Continued from page 61

"Clearly the surprising strength of Japan vs. continental Europe in the second quarter was a disadvantage to us. It was part of the reason for our underperformance," said Chris Carter, senior investment manager-equities for the $50 million Employee Benefit Equity Fund.

In addition, a number of medium-term trends the firm has been playing — such as the dollar's weakness, fairly weak oil prices and rising interest rates — turned against it.

Because BA officials think in 12 months oil will remain steady to weak and the dollar will drop to about 135 against the yen from about 140 currently, it expects downward pressure on interest rates in Europe and Japan.

The firm emphasizes interest rate-sensitive stocks — the Spanish insurance company **Mapfre** and the French insurer **Victoire Drouot**. BA invests 15% in Spain, 12% in France, and 30% to 35% in the United Kingdom with the rest of the portfolio split fairly evenly between West Germany, the Netherlands, Belgium, Hong Kong and Australia.

Markets prices are looking better in Italy. In particular, BA is looking at clothing manufacturing and publishing sectors. On further market weakness, BA is looking to increase Hong Kong exposure since the market's gross domestic product and corporate profit growth estimates are high.

Over five years, commingled funds of IDS International Inc., Minneapolis, Bankers Trust and BA were tied for first place with a 39.6% return, slightly trailing the EAFE's 40.4%.

IDS, seeking "faster-growing economies with high profits growth" has been overweighting U.S. dollar-linked Singapore and Hong Kong whose export industries benefit from their weak currencies and builds competitiveness with Japan, South Korea and Taiwan, said Peter Lamaison, chief executive officer of IDS in London, which runs the $78 million IDS Collective Equity Fund.

The firm invests 14% in Australia, mostly in commodities stocks. Japanese exposure has dropped to 32% from 48% since April on a valuation basis.

Of the three managers included in PIPER for at least 10 years, only U.S. Trust beat the index

Continued on page 64

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Futures set for Russell indexes

Director believes appeal broader for new product

By Hank Berkowitz

NEW YORK — Futures contracts on the broad-based Russell 1000, 2000 and 3000 stock indexes will begin trading on the New York Futures Exchange Sept. 10, making it the first exchange to offer three indexes "side by side," said Lewis J. Horowitz, president of the exchange.

The exchange is the wholly owned subsidiary of the New York Stock Exchange Inc., which trades futures and options on the NYSE Composite Index. It also trades commodity futures based on the Commodity Research Bureau Index.

Russell indexes comprise a broader universe of stocks than the traditional Standard & Poor's 500 stock index, including many more undervalued, small-capitalization companies. And unlike the S&P, Russell indexes are not artificially weighted toward certain industries like technology and high-yield stocks.

Both active and passive managers find Russell indexes attractive because they provide "a much more complete representation of the total U.S. equity market," said Kelly Haughton, director of research and development for The Frank Russell Co., Tacoma, Wash.

Russell indexes enable active managers to duplicate their core portfolios. Also, since tracking errors with Russell indexes are lower than the S&P's, Mr. Haughton said, passive managers find Russell indexes improve their ability to replicate the active portfolios for which they're substituting.

But Rob Meyncke, a member of the index committee of Standard & Poor's Corp., New York, said there's almost no difference between the Russell 1000 and the S&P 500, so "there's almost no advantage to having an index" with the 500 additional stocks that comprise the Russell 1000 index.

Russell statistics for the five years ended June 30 show 72% of the 104 managers in its equity pooled accounts universe were more highly correlated with the Russell 1000 than with the S&P 500.

Mr. Meyncke said, however, there is a 99.5% correlation between the Russell 1000 and the S&P 500. Furthermore, the S&P 500 also tracks the New York Stock Exchange better than the Russell 1000 despite the small composition of stocks in the S&P index. He said the S&P 500 has a 99.9% correlation with the NYSE; the Russell indexes are about one percentage point less on average.

Rick Nelson, vice president of passive management at Bankers Trust Co., New York, said one-half of his firm's $24 billion indexed equity holdings are in non-S&P securities.

"Russell (indexes) futures would really fit a niche that hasn't been filled so far," Mr. Nelson said.

Mr. Haughton said as more money managers use Russell indexes as performance benchmarks, they'll need Russell-based futures contracts to better hedge and insure their portfolios.

He said the indexes include 95% to 99% of investment-grade stocks held by institutional money managers, while the S&P 500 includes 75%.

"Generally with Russell, you're going to get a more precise hedge," said Mr. Nelson, who added he plans to use the Russell 2000 to complement Bankers Trust's anticipated move to an "ultrasmall" index that would only include stocks in the smallest 5% of publicly held companies. The Russell 2000 is composed of companies ranked 1,001 to 3,000 by capitalization.

Futures contracts on the 2000 would provide the first proxy for the low-cap end of the equity market, which now accounts for 10% to 20% of large institutional holdings, the NYFE said.

Mr. Meyncke said his firm believes the S&P 500 is a "pretty good index," but admitted there may be a possibility for the Russell 2000 because of the need for a small-cap index. But he cautioned futures on other small-cap indexes — including an S&P over-the-counter 250 index — failed in the past. ■

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Performance

Weak . . .

Continued from page 63

with a 25% compound annualized return vs. the index's 24.9%. But over one-, three- and five-year periods it underperformed, returning 43.4%, 44.4%, and 36.1%.

Other underperformers over periods of more than a year include Morgan Guaranty's $840 million International Equity Fund which returned 21.4% over 10 years and 38.2%, 41.9% and 32.9%, respectively, over one-, three- and five-year periods; the $50 million International Stock Portfolio of Wellington Management Co./Thorndike, Doran, Paine & Lewis, Boston, which returned 43.6%, 45% and 33.3%; the International Stock fund of First RepublicBank Corp., Dallas, which earned 39.2%, 44.3% and 39.2%; and the International Equity fund of HT Investors Inc., Providence, R.I., which returned 41.2% over one year and 39.3% over three years.

Morgan's fund has underperformed recently but since its 1974 inception has exceeded the EAFE while maintaining a beta, which is a measure of volatility, of only 0.94 vs. the index, according to Adrian Lee, vice president, J.P. Morgan Investment Management Inc., London.

The Wellington fund's infrequently traded quality growth stocks "don't necessarily do better in runaway bull markets," said Jerrold Mitchell, senior vice president.

The HT fund's performance has improved recently as the firm has built its investment staff, relying less on advice from brokers, said J. Richard Schroder, vice president-director of marketing/sales.

Also better — since a new investment was set up three years ago — are the returns of the Global International Equity fund of Chase Investors Management Corp., New York, which underperformed most funds over five years with returns of 33.4% and 29.6%, said Mary Ellen Weissinger, sales director. ■

Cash Management

Diamond Shamrock R&M, whose Maxus Energy Corp. operates this oil field in Williston, N.D., moved its cash concentration and controlled disbursement accounts.

Diamond Shamrock pockets savings by switching two banks

By Barry B. Burr

SAN ANTONIO, Texas — Diamond Shamrock R&M Inc., one of the two companies created from the former Diamond Shamrock Corp., expects to save upward of $30,000 a year in banking fees by changing the banks handling its major cash management services, said John E. Griffin, supervisor-cash operations.

Citing pricing as a principal reason for the changes, he said the company is moving its cash concentration account and controlled disbursement to Chase Manhattan Bank, New York, from Mellon Bank, Pittsburgh, and its payroll disbursement to Frost National Bank, San Antonio, from First RepublicBank Dallas.

Chase beat out First National Bank of Chicago and Chemical Bank, New York, the other bidders for the account.

Frost topped MBank, Texas Commerce Bank and First RepublicBank's San Antonio offices.

He said the prices are significantly lower than those the company now pays.

Chase, from its Syracuse, N.Y., office, will process disbursements at 12½ cents a check, while Mellon was charging 15 cents.

Frost will charge 8 cents a check, compared to First RepublicBank's 13 cents.

He said moving to Chase would save the company $15,000 to $18,000 annually, while Frost would save $13,000 to $15,000.

The company has about 15,000 controlled disbursement items, valued at some $60 million, processed monthly, while it has another 15,000 payroll checks, valued at $4 million.

Continued on page 70

New rules might cause wire transfer problems

By Chuck Paustian and Sheryl Cohen

Sheila Dilson and Richard Richardson of Hardee's will be watching for changes or delays in wire transfers under the new daylight overdraft rules.

Corporate cash managers could face more wire transfer problems as a result of tighter daylight overdraft rules, despite efforts by the National Corporate Cash Management Association.

Norman Appelman, vice president and director of banking activity, ITT Financial Corp., St. Louis, and chairman of the NCCMA's government relations committee, suggested the tighter rules will cause companies and banks to adjust their wire transfer activity to avoid further payment delays.

Mr. Appelman said the association is asking corporate executives to monitor their wire transfers more closely now so they'll be able to determine the effects of the tighter daylight overdraft restrictions when they go into effect in January.

Before the Fed's most recent action, a number of companies, including Hardee's Food Systems Inc., Pepsico Inc. and Shell Oil Co., already had experienced some delays in wire transfers under less restrictive rules.

"We have had some delays with incoming wires and outgoing wires," but no critical problems, said Richard Richardson, manager-cash management at Hardee's, Rocky Mount, N.C.

Sheila Dilson, cash manager at Hardee's, said, however, the newest policies could affect the company more. "When the ruling gets tighter, we probably will feel some effect," she said. "Everyone will probably feel it at some point or another and to some extent."

The overdraft policies, adopted July 24 by the Fed's Board of Governors, are somewhat less strict than its proposals released in December (*Pensions & Investment Age*, July 27).

The NCCMA, one of many groups commenting on the Fed's proposals, was partially successful in its efforts to mitigate the new rules, even though they further tighten daylight overdraft restrictions first adopted in March 1986, association officials said. Proposed measures the association supported were adopted, while policies the group opposed either were eased by the Fed or postponed for further review.

"We think the Fed has been and continues to be sensitive to public comments," said David L. O'Brien, manager of banking at Best Products Co. Inc., Richmond, Va., and president of the NCCMA.

"I think (the Fed has) been very appreciative of the input and we've been appreciative of them turning to us as a resource. We hope that will continue," added Mr. Appelman.

Two major aspects of the new policies are:

- A two-step reduction of banks' net debit caps for daylight overdrafts — a 15% reduction to take effect in January, with an additional 10% reduction scheduled for the following May unless subsequent problems develop.

The Fed initially proposed a straight 25% reduction in the net debit caps, which determine the extent to which banks can overdraw their Federal Reserve accounts through wire transfer activity. The NCCMA had opposed any further reduction.

- A more liberal de minimis, or lower level, cap for small depository institutions, an amount equal to the lesser of 20% of primary capital or $500,000.

Originally, the Fed proposed a de minimis cap equal to the lesser of 10% of primary capital or $500,000. The NCCMA had supported the concept of de minimis caps for smaller banking institutions.

Two other policies adopted by the Fed place a $50 million limit on book-entry government securities transfers and permit wire transfers between affiliated depository institutions in a daylight overdraft position.

The Board of Governors postponed action on automated clearinghouse transactions that would have delayed posting and finality of payment. The NCCMA had expressed concern the proposed policies might constrain or discourage use of the ACH system.

Continued on page 68

Scudder matrix debuts

Beginning with this issue, *Pensions & Investment Age* will publish Scudder, Stevens & Clark Ltd.'s corporate cash matrix, a group of indexes designed to provide benchmarks for cash management executives investing taxable treasury cash.

The matrix will run every month. *P&I Age* will continue to run Payden & Rygel's index of short maturity assets, another measure of market returns for corporate treasury executives, each month in alternating issues.

The Scudder matrix contrasts both yield and total return on a pretax and after-tax basis of four different instruments in various maturities. It is prepared by Glen Murphy, principal in Scudder's Boston office.

Because of the different tax status of some instruments, Mr. Murphy noted that for treasury investment portfolios, the after-tax measures translate to the bottom line.

Yield measures income over current price. Total return measures income and price changes. "Total return is the true measure of economic benefit," Mr. Murphy said.

The matrix is at a constant maturity, meaning all the instruments are rolled over every 30 days.

To calculate after-tax returns, Scudder uses the maximum corporate tax rates. For income, they are 40% this year and 46% last year; for capital gains and losses, 34% this year and 46% last year.

Scudder, Stevens & Clark corporate cash matrix

	Yield						Total return			
	July 31		3 mos. ago		1 yr. ago		Latest 3 mos.		Latest 12 mos.	
30-day										
Prime commercial paper/CD/BA*	6.45	3.87	6.73	4.04	6.28	3.39	1.66	1.00	6.75	3.87
Prime tax-exempt commercial paper	7.00	4.20	7.17	4.30	8.11	4.38	1.77	1.06	7.35	4.55
49-day										
Auction-rate preferred stock (AAA-AA-A composite)	7.30	4.38	7.33	4.40	7.03	4.22	1.93	1.16	8.20	4.70
90-day										
Treasury bill	6.14	3.68	5.64	3.38	5.85	3.16	1.48	0.89	6.18	3.71
Prime commercial paper	6.95	4.17	6.80	4.08	6.23	3.86	1.77	1.06	6.84	3.92
Prime tax-exempt commercial paper	7.50	4.50	7.42	4.45	7.74	4.18	1.75	1.05	7.95	4.48
1-year										
Treasury bill	6.74	4.04	6.50	3.90	6.27	3.39	1.42	0.85	5.91	3.39
Prime municipal note	7.58	4.55	7.95	4.77	8.72	4.71	3.15	1.89	8.30	4.76

The matrix is at a constant maturity, meaning all instruments are rolled over monthly. Income is taxed at 40% for 1987 and 46% for 1986; capital gains and loses are taxed at 34% for 1987 and 46% for 1986.
* CD is certificate of deposit; BA is banker's acceptance

pretax
after-tax